



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

Audit Report

**U.S. Fish and Wildlife Service
Wildlife and Sport Fish Restoration Program Grants
Awarded to the District of Columbia,
Department of the Environment,
From October 1, 2006, Through September 30, 2008**

**Report No.
R-GR-FWS-0010-2009**

February 2010



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

February 26, 2010

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park *Suzanna I. Park*
Director of External Audits

Subject: Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the District of Columbia, Department of the Environment, From October 1, 2006, Through September 30, 2008 (No.R-GR-FWS-0010-2009)

This report presents the results of our audit of costs claimed by the District of Columbia (District), Department of the Environment (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the District under the Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$1.5 million on 10 grants that were open during fiscal years (FYs) ended September 30 of 2007 and 2008 (see Appendix 1). The audit also covered Department compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$122,558 from charges to the grants for unsupported and ineligible expenses. We also determined that the Department had not assented to the Sport Fish Restoration Act and did not have adequate controls over equipment.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 5 responses after each recommendation, as well as our comments on the responses. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by May 27, 2010. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact the audit team leader, Mr. Peter A. Rich, or me at 703-487-5345.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, FWS provides grants to States² to restore, conserve, manage, and enhance their sport fish and wildlife resources. However, federal regulations exclude the District from participating in programs under the Pittman-Robertson Wildlife Restoration Act.³ As a result, only the Dingell-Johnson Sport Fish Restoration Act (the Act) applies. The Act and federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Act also requires that fishing license revenues be used only for the administration of the State's fish and game agency. Finally, federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

Our audit objectives were to determine if the Department:

- claimed the costs incurred under the Program grants in accordance with the Act and related regulations, FWS guidelines, and the grant agreements;
- used fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with federal regulations.

Scope

Audit work included claims totaling approximately \$1.5 million on the 10 grants that were open during FYs 2007 and 2008 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters; the Office of the Chief Financial Officer – Government Services Cluster; and the Aquatic Resources Education Center in Washington, D.C. (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

¹ 16 U.S.C. §§ 669 and 777, as amended, respectively.

²The Acts define the term “State” to include the Commonwealths of Puerto Rico and the Northern Mariana Islands, the District of Columbia, and the territories of Guam, the U.S. Virgin Islands, and American Samoa.

³ 50 C.F.R. § 80.2(b)

Methodology

We performed our audit in accordance with the “Government Auditing Standards” issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Department used fishing license revenues solely for administration of its Fisheries and Wildlife Division; and
- determining whether the District passed required legislation assenting to the provisions of the Act.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions recorded in these systems for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department’s operations.

Prior Audit Coverage

On November 15, 2006, we issued “Audit on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the District of Columbia, Department of Health⁴, From October 1, 2002, Through September 30, 2004” (No. R-GR-FWS-0020-2005). We followed up on all 18 recommendations from that report and found that the Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget, considers 5 of the

⁴ In FY 2007, the Division of Fisheries and Wildlife was transferred from the Department of Health to the newly formed Department of the Environment.

recommendations as unimplemented. This report repeats three of the unimplemented recommendations due to continuing problems with the support for and accuracy of costs charged to the Program grants, tagging of equipment purchased with Program funds, and license revenue.

We also reviewed the District's Comprehensive Annual Financial Reports for FYs 2007 and 2008 and the Single Audit Report for FY 2007. The Sport Fish Restoration Program was not specifically tested for any of these audits, and none of these reports contained any findings that would directly impact the Program grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Act, regulations, and FWS guidance. However, we identified several conditions that resulted in the findings listed below, including questioned costs totaling \$122,558. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned \$122,558 in costs claimed on 7 grants. These costs included unsupported payments for maintenance activities (\$100,358), unsupported and ineligible charges for supplies (\$21,638), and ineligible travel expenses (\$562).

Inadequate Assent Legislation. The Department has not assented to the provisions of the Sport Fish Restoration Act.

Inadequate Equipment Management. The Department did not have accurate equipment listings, due in part to the transition from the Department of Health, but also because various Department employees were not aware of what items should be classified as equipment and recorded accordingly.

Findings and Recommendations

A. Questioned Costs — \$122,558

1. Unsupported Payments for Maintenance Activities — \$100,358

In 1987, the District entered into a cooperative agreement with NPS for the construction and maintenance of a boat ramp facility and the conversion of an NPS building into an Aquatic Resources Education Center (the Center). The Department made a payment of \$218,038 to NPS for maintenance activities at the boat ramp facility and the Center without adequate supporting documentation. Therefore, we are questioning \$100,358 (federal share) as unsupported. This payment covered the three grants detailed below:

- Under Grant F-12-D-1, the Department made a payment of \$90,458 to the NPS and drew down the federal share of \$66,088 for the boat ramp facility without any supporting documentation. Additionally, we determined that NPS performed no maintenance at that location.
- Under Grant F-6-D-15, the Department made a payment of \$57,599 to the NPS and drew down the federal share of \$42,599 for the Center without any supporting documentation. During our review, the Department obtained documentation for a total of \$32,996 (\$24,747 federal share) from NPS.

Therefore, we are questioning the difference of \$17,852 (federal share) as unsupported.

- Under Grant F-6-D-16, the Department made a payment of \$69,981 to the NPS and drew down the federal share of \$51,231 for the Center without any supporting documentation. During our review, the Department obtained documentation for a total of \$46,417 (federal share \$34,813) from NPS. Therefore, we are questioning the difference of \$16,418 (federal share) as unsupported costs.

The Code of Federal Regulations (2 C.F.R. § 225, Appendix A, Subsections C.1.a., C.1.d., and C.1. j.) specifies that allowable costs must be necessary and reasonable, conform to the limitations set forth in the terms and conditions of the federal award, and be adequately supported.

This issue arose because the Department did not follow its own procedures to ensure that expenditures were adequately supported and goods and services were received before requesting reimbursement under the Program grants. As a result, we are questioning a total of \$100,358 in costs as unsupported, as indicated in the table below.

Federal Share of Unsupported Costs Related to Maintenance Activities				
Description	Grant Numbers and Amounts			
	F-6-D-15	F-6-D-16	F-12-D-1	Totals
Original Federal Amount Claimed	\$42,599	\$51,231	\$66,088	\$159,918
Amount Incurred on Maintenance	32,996	46,417	0	79,413
Allowable Federal Share	75%	75%	75%	75%
Allowable Federal Amount	\$24,747	\$34,813	0	59,560
Unsupported Costs	\$17,852	\$16,418	\$66,088	\$100,358

Recommendations

We recommend that FWS:

1. resolve the \$100,358 in costs questioned as unsupported, and
2. require the Department to ensure supporting documentation is obtained and goods and services are received before requesting reimbursement under the Program grants.

Department Response

The Department concurred with the recommendations and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department to develop a corrective action plan that satisfactorily resolves and implements all of the audit findings and recommendations.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

2. Unsupported and Ineligible Charges for Supplies — \$21,638

The Department uses purchase orders and credit cards to acquire supplies. During our review of these costs, we found that:

- The Department allocated \$13,111 in supplies procured through purchase orders to Grants F-1-C-22, F-2-R-22, F-4-E-21, and \$827 in supplies purchased with a credit card to Grant F-1-C-23. However, Department personnel could not explain the method used to allocate those amounts to these particular grants.
- The Department charged \$7,697 in supplies for its Wildlife Division to the Fisheries Management Coordination grant (F-1-C-23).

A breakdown of the ineligible and unsupported costs by grant is shown below.

Grant Number	Questioned Costs (Federal Share)		
	Ineligible	Unsupported	Total
F-1-C-22	\$0	\$1,742	\$1,742
F-1-C-23	7,697	827	8,524
F-2-R-22	0	9,570	9,570
F-4-E-21	0	1,802	1,802
Total	\$7,697	\$13,941	\$21,638

The C.F.R (2 C.F.R. § 225, Appendix A, Subsections C.1.a., C.1.b., and C.1. j.) specifies that allowable costs must be necessary and reasonable, and be allocable to the award only if it provides a benefit to the grant, and be adequately supported.

The Department did not maintain sufficient documentation to demonstrate whether it equitably allocated the cost of these supplies among the four Program grants. As a result, we have no assurance that these supplies were needed or used for the purposes of the Program grants.

We reported a similar condition in our prior audit report (No. R-GR-FWS-0020-2005, Recommendations A.3.2 and A.3.3). Therefore, we are repeating the applicable recommendations from that report. Implementation of these recommendations will be tracked under the resolution process for the prior audit report.

Repeat Recommendations

We recommend that FWS require the Department to:

1. maintain proper documentation for all costs charged to the Program grants, and
2. revise its procedures to ensure that grant costs are charged to the appropriate grant.

Department Response

The Department concurred with the recommendations and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendations.

OIG Comments

The implementation of these recommendations will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of this recommendation to the Department of the Interior, Office of Assistant Secretary for Policy, Management, and Budget.

Recommendations

We recommend that FWS:

1. resolve the \$21,638 federal share of questioned costs, and
2. require the Department to develop appropriate methods to separate and account for individual expenditures for each grant.

Department Response

The Department concurred with the recommendations and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department to develop a corrective action plan that satisfactorily resolves and implements all of the audit findings and recommendations.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

3. Ineligible Travel Expenses — \$562

The Department charged \$3,948 to the Fisheries Management Coordination grant (F-1-C-23) for the travel expenses of five District employees to attend meetings with FWS officials in Hadley, Massachusetts. However, we noted the following ineligible expenses associated with this travel:

- The travelers used an incorrect per diem rate to calculate the trip costs, resulting in excess charges of \$598 (\$449 federal share).
- Two employees received travel advances greater than the costs they actually incurred. One of the individuals wrote a check for the difference, but the Department did not credit this payment to the grant. We found no evidence

that the other employee reimbursed the Department for the excess travel advance received. As a result, the Department charged \$151 (\$113 federal share) in ineligible costs to the grant.

According to 2 C.F.R. 225, Appendix A, Subsections C.1.a., C.1.b., and C.1.j., allowable costs must be necessary, reasonable, and adequately supported.

These issues occurred because 1) the travelers used the per diem rate for the Boston/Cambridge area without realizing that Hadley required a different rate, and 2) supervisory and accounting personnel failed to obtain a travel reconciliation voucher from the second traveler. As a result, we are questioning a total of \$562 (federal share) in ineligible travel expenses.

Recommendations

We recommend that FWS:

1. resolve the \$562 federal share of questioned costs; and
2. require the Department to establish written travel policies and procedures to ensure that personnel use the correct per diem schedule and location, which all travelers submit vouchers reconciling travel advances and travel costs to the grants, and that supervisors and accounting personnel review and approve each voucher.

Department Response

The Department concurred with the recommendations and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department to develop a corrective action plan that satisfactorily resolves and implements all of the audit findings and recommendations.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations;
- targeted completion dates;

- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

B. Inadequate Assent Legislation

The District and the Congress passed the Water Pollution Control Amendment Act of 2005 (D.C. Law 16-57), which restricted the use of license revenues to the administration of the Department's Fisheries and Wildlife Division. However, the legislation does not include language assenting to the Sport Fish Restoration Act.

The C.F.R. requires States to pass legislation assenting to the Act's provisions before participating in the Sport Fish Restoration Program (50 C.F.R. § 80.3). Department officials stated that they did not believe specific assent language was required as long as the District restricted the use of license revenue. However, without adequate assent legislation, the District could be deemed ineligible to participate in the Program.

Recommendation

We recommend that FWS require the Department to amend its laws to specifically assent to the Sport Fish Restoration Act.

Department Response

The Department concurred with the recommendation and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Department to develop a corrective action plan that satisfactorily resolves and implements all of the audit findings and recommendations.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and

- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

C. Inadequate Equipment Management

The Department's Fisheries and Wildlife Division (Division) utilizes the District's Fixed Asset System (FAS) to manage its equipment inventory. While FAS identified the Department's equipment, it did not indicate the items assigned specifically to the Division. We therefore identified 72 pieces of equipment under the Division's administrative control based on 1) items included in our direct cost testing, 2) discussions with Division staff, and 3) the location of equipment (i.e., items found in the Division's offices and at the Center). During our testing of this equipment, we found that:

- the FAS had no record of 4 boats and their outboard motors and trailers, a pickup truck, an icemaker, a freezer, 2 GPS units, and a digital camera;
- the Division could not account for 2 desktop computers, a laptop computer, and a printer, all of which were purchased with grant funds; and
- property tags were not affixed to 48 items.

Under 43 C.F.R. § 12.72 (b), States are required to maintain accurate equipment records and manage equipment acquired under Program grants in accordance with their own laws and procedures. The District's Equipment Inventory Procedures state that property tags are to be affixed to all equipment.

In October 2007, the District began using the draft Financial Policies and Procedures Manual, Chapter V, General Accounting Policies and Procedures. Subsection 1020.303, paragraph E, defines controllable property to include major appliances, among other items, including cell phones, pagers, firearms, printers, computers, laptop or notebook computers, radio and video equipment. These items are required to be managed by FAS regardless of cost because they are considered sensitive and have a high risk of theft.

These exceptions occurred because:

- the FAS does not allow users to update critical information, such as the office, location, and individuals responsible for equipment;
- Division personnel stated that procurement personnel advised them to purchase anything under \$2,500 using the credit card, but made no distinction to apply this to equipment purchases between \$1,000 and \$2,500 or to controllable equipment items;
- items purchased with credit cards are not recorded in FAS; and

- the annual inventory that was conducted only covered capitalized equipment costing over \$5,000.

As a result, the Department cannot ensure that its equipment is used only for authorized purposes. This lack of control also increases the risk that equipment could be lost or misplaced.

We reported a similar condition in our prior audit report (No. R-GR-FWS-0020-2005, Recommendation D.3). Therefore, we are repeating the applicable recommendation from that report. Implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report.

Repeat Recommendation

We recommend that FWS require the Department to ensure all property is tagged with property identification numbers, as required.

Department Response

The Department concurred with the recommendation and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendation.

OIG Comments

The implementation of this recommendation will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of this recommendation to the Department of the Interior, Office of Assistant Secretary for Policy, Management, and Budget.

Recommendations

We recommend that FWS require the Department ensure that the Division:

1. accurately identifies and records all required property items in the Fixed Asset System, including those items costing \$1,000 or more and all controllable items regardless of cost, in accordance with the District's draft policy;
2. develops and maintains its own inventory spreadsheet that includes all equipment that is purchased, regardless of cost, until such time as the FAS is replaced with a system that will track and account for all of the equipment that is required under District's own policies and procedures; and

3. conduct an annual inventory of all equipment, including those items costing \$1,000 or more and all controllable items regardless of cost, in accordance with the District's draft policy.

Department Response

The Department concurred with the recommendations and stated that it would work diligently to improve its overall program performance and enhance the quality and viability of the District's fisheries and other natural resources.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department to develop a corrective action plan that satisfactorily resolves and implements all of the audit findings and recommendations.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

Appendix 1

DISTRICT OF COLUMBIA
DEPARTMENT OF THE ENVIRONMENT
FINANCIAL SUMMARY OF REVIEW COVERAGE
OCTOBER 1, 2006, THROUGH SEPTEMBER 30, 2008

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)		
			Ineligible Costs	Unsupported Costs	Total
F-1-C-22	\$339,738	\$146,260		\$1,742	\$1,742
F-1-C-23	335,572	319,616	\$8,259	827	9,086
F-2-R-22	581,530	296,467		9,570	9,570
F-2-R-23	650,025	353,792			
F-4-E-21	316,335	108,585		1,802	1,802
F-4-E-22	61,794	53,571			
F-6-D-15	60,000	57,599		\$17,852	17,852
F-6-D-16	75,000	72,615		16,418	16,418
F-6-D-17	67,909	0			
F-12-D-1	97,477	97,228		66,088	66,088
Totals	\$2,585,380	\$1,505,733	\$8,259	\$114,299	\$122,558

Appendix 2

**DISTRICT OF COLUMBIA
DEPARTMENT OF THE ENVIRONMENT
SITES VISITED**

Headquarters

Office of the Chief Financial Officer – Government Services Cluster

Aquatic Resources Education Center

Appendix 3

DISTRICT OF COLUMBIA
DEPARTMENT OF THE ENVIRONMENT
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.1.1, A.1.2, A.2.1, A.2.2, A.3.1, A.3.2, B, C.1.1, C.1.2, and C.1.3	FWS management concurs with the recommendations, but additional information is needed as outlined in the “Actions Required” column.	Additional information is needed in the corrective action plan, including the actions taken or planned to implement the recommendations, targeted completion date(s), the title of official(s) responsible for implementation, and verification that FWS officials reviewed and approved of actions taken or planned by the State. We will refer recommendations not resolved and/or implemented at the end of 90 days (after May 27, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
Repeat Recommendations A.2.1, A.2.2, and C	Repeat recommendations from our prior report (R-GR-FWS-0020-2005). PMB considers these recommendations resolved but not implemented.	Provide documentation regarding the implementation of these recommendations to PMB.

Report Fraud, Waste, Abuse, and Mismanagement



Fraud, waste and abuse in government concern everyone: Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.



By Mail:

U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW
Washington, D.C. 20240

By Phone:

24-Hour Toll Free	800-424-5081
Washington Metro Area	703-487-5435

By Fax:

703-487-5402

By Internet:

www.doiig.gov/hotline