



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

**U.S. FISH AND WILDLIFE SERVICE WILDLIFE AND
SPORT FISH RESTORATION PROGRAM GRANTS**

Awarded to the State of West Virginia, Division of Natural Resources,
From July 1, 2007, Through June 30, 2009



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

November 22, 2010

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: 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 State of West Virginia, Division of Natural Resources, From July 1, 2007, Through June 30, 2009 (No. R-GR-FWS-0013-2010)

This report presents the results of our audit of costs claimed by the State of West Virginia (the State), Division of Natural Resources (the Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$18.1 million on 36 grants that were open during State fiscal years (SFYs) ended June 30 of 2008 and 2009 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements; however, we questioned costs totaling \$72,315 (Federal share) claimed on 12 grants. We also found that the Division did not report program income totaling \$106,717 that it earned from selling rights-of-way, leasing land, and renting campsites.

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

Please respond in writing to the findings and recommendations included in this report by February 21, 2011. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation. Please address your response to:

Director of External Audits
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

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

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

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (the Acts)¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, FWS provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts 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 Acts also require that hunting and 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 Division:

- Claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and the grant agreements.
- Used State hunting and fishing license revenues solely for fish and wildlife program activities.
- Reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$18.1 million on the 36 grants that were open during SFYs 2008 and 2009 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Division headquarters in South Charleston, WV, and visited 1 District office, 10 wildlife management areas (WMAs), 3 fish hatcheries, 6 public access sites, and 3 other facilities (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.

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

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

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 Division.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Division employees to ensure that personnel costs charged to the grants were supportable.
- Conducting site visits to inspect equipment and other property.
- Determining whether the Division used hunting and fishing license revenues solely for administration of fish and wildlife program activities.
- Determining whether the State passed required legislation assenting to the provisions of the Acts.

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 Division's operations.

Prior Audit Coverage

On February 6, 2006, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of West Virginia, Division of Natural Resources, from July 1, 2002 through June 30, 2004" (R-GR-FWS-0005-2005). We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them to be resolved and implemented.

We also reviewed West Virginia's Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2008 and 2009. None of these reports contained any findings that would directly impact the Program grants.

Results of Audit

Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified several conditions, however, that resulted in the findings listed below, including questioned costs totaling \$72,315. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned costs totaling \$72,315 (Federal share) claimed on 12 grants because the Division: (1) double-charged costs to 2 grants; (2) charged costs for rent, utilities, and telecommunications as direct costs that were also recovered as indirect costs; and (3) charged costs for vehicle operating expenses and repairs that were also recovered through vehicle usage rates.

Unreported Program Income. The Division did not report program income totaling \$106,717 that it earned from selling rights-of-way, leasing land, and renting campsites.

Findings and Recommendations

A. Questioned Costs - \$72,315

States are required to demonstrate that costs claimed under the Program are allocable to the Program grants. We noted that the Division inappropriately charged \$96,420 (Federal share \$72,315) to 12 grants for a variety of ineligible costs. Specifically:

- Invoices totaling \$82,101 were double-charged as direct costs to two grants.
- Invoices totaling \$12,967 for rent, utilities, and telecommunications were charged as direct costs to eight grants but were also recovered as indirect costs under those grants.
- Invoices totaling \$1,352 for vehicle operating expenses and repairs were charged as direct costs to six grants but were also recovered through vehicle usage rates under those grants.

The Code of Federal Regulations (CFR), in 2 CFR § 225, Appendix A, Subsections C.1.a, b, and j specifies that to be considered allowable, costs must be necessary and reasonable, allocable to the Federal award, and adequately supported.

These issues occurred because the Division did not have policy and procedures in place to ensure that only eligible costs were included in requests for Federal reimbursement. Specifically, the Division manually entered data to process

expenditures in two different information systems (the State’s Financial Information Management System and the Division’s Work Reporting System). Manually entering data into two systems increases the risk of data entry error. Furthermore, changes made in one system were not automatically reflected in the other system. Because the Division was not required to reconcile the information stored in these two information systems, it was unable to identify and correct the ineligible costs.

As a result, we questioned \$96,420 (Federal share \$72,315) claimed on 12 grants, as indicated in the table below.

Grant Number	Costs Claimed Twice	Costs Claimed as Direct and Indirect	Costs Claimed as Direct and in Vehicle Usage Rates	Total Ineligible Costs	Federal Share (Ineligible Questioned Costs)
F-11-R-46		\$37	\$404	\$441	\$331
F-31-D-18	\$76,821		88	76,909	57,682
F-40-D-11		8,858		8,858	6,643
F-41-R-6			252	252	189
F-42-R-6		37		37	28
F-42-R-7			401	401	301
F-43-R-7			171	171	128
FW-4-T-39		891	36	927	695
FW-4-T-40		297		297	223
FW-6-T-29		1,572		1,572	1,179
W-41-D-46	5,280	775		6,055	4,541
W-43-S-37		500		500	375
TOTAL	\$82,101	\$12,967	\$1,352	\$96,420	\$72,315

Recommendations

We recommend that FWS:

1. Resolve the questioned costs totaling \$72,315.
2. Require the Division to implement policies and procedures to ensure that only eligible costs are included in requests for reimbursement.

Division Response

Division officials concurred with the finding and recommendations and will work with FWS on the corrective action plan towards resolution of the finding.

FWS Response

FWS Regional officials concurred with the finding and recommendations and will work with Division of Natural Resources staff in developing and implementing a corrective action plan that will resolve the finding 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 date.
- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division.

B. Unreported Program Income

Under the Program, States may earn revenue or program income from grant-supported activities and must report and use such funds in accordance with Federal regulations. Although the Division claimed program income totaling \$1,370,752 on Grants W-41-D-45 and W-41-D-46, for the operation and maintenance of WMAs, we determined that an additional \$106,717 was not reported. The Division generated the unreported income by selling rights-of-way, leasing land, and renting campsites on WMAs managed with Program grant funds, as shown in the table below.

	W-41-D-45	W-41-D-46	Grand Total
Rights-of-way		\$88,325	
Land leases		800	
Campground rental fees	\$7,155	10,437	
Total	\$7,155	\$99,562	\$106,717

The CFR, in 43 CFR § 12.65(b), defines program income as gross income a grantee receives that is “directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.” In accordance with 43 C.F.R. § 12.65(g), the agreements for Grants W-41-D-45 and W-41-D-46 stipulate that any program income should be added to the grant funds and used for grant-related purposes.

According to a Division official, this issue occurred because headquarters staff either: (1) did not review and verify the amounts that should have been classified as program income or (2) omitted the amounts due to data entry errors. We noted that the Division's procedures broadly stated that revenue generated from grant-supported activities on lands purchased and/or managed with Program funds must be reported as program income; however, the procedures were not specific enough to mitigate the issues identified.

As a result, the \$106,717 in unreported program income was not appropriately added to the funds committed for Grants W-41-D-45 and W-41-D-46. Further, we could not determine whether this revenue was all used for grant-related purposes.

Recommendations

We recommend that FWS:

1. Resolve the unreported program income of \$106,717.
2. Require the Division to revise its policies and procedures to ensure that it properly reports all program income in accordance with 43 CFR § 12.65(b).

Division Response

Division officials concurred with the finding and recommendations and will work with FWS on the corrective action plan towards resolution of the finding.

FWS Response

FWS Regional officials concurred with the finding and recommendations and will work with Division of Natural Resources staff in developing and implementing a corrective action plan that will resolve the finding 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 date.
- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division.

Appendix I

State of West Virginia
Division of Natural Resources
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Ineligible)
F-11-R-46	\$181,700	\$91,989	\$331
F-11-R-47	121,800	104,818	
F-11-R-48	121,200	104,732	
F-29-D-24	285,000	1,129	
F-29-D-25	20,000	14,638	
F-29-D-26	18,500	62,545	
F-29-D-27	610,000	212,603	
F-31-D-18	405,000	254,503	57,682
F-31-D-19	406,000	193,767	
F-31-D-20	378,000	218,301	
F-37-D-14	1,895,000	2,509,463	
F-37-D-15	1,990,000	2,595,868	
F-40-D-10	250,000	330,340	
F-40-D-11	350,000	299,600	6,643
F-40-D-12	350,000	302,676	
F-41-R-6	125,000	92,326	189
F-41-R-7	112,200	85,419	
F-41-R-8	104,000	100,199	
F-42-R-6	100,000	48,583	28
F-42-R-7	51,000	50,698	301
F-42-R-8	51,000	49,925	
F-43-R-6	120,000	46,305	
F-43-R-7	115,950	34,948	128
F-43-R-8	108,000	100,199	
FW-2-C-48	325,000	417,006	
FW-2-C-49	340,000	436,274	
FW-4-T-39	430,254	361,857	695
FW-4-T-40	444,497	364,974	223
FW-6-T-28	462,000	488,213	
FW-6-T-29	475,860	492,896	1,179
W-41-D-45	3,227,596	2,040,205	
W-41-D-46	3,336,430	2,134,374	4,541
W-43-S-36	738,198	1,064,434	

State of West Virginia
Division of Natural Resources
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Ineligible)
W-43-S-37	\$839,373	\$623,507	\$375
W-48-R-24	891,000	910,556	
W-48-R-25	800,900	813,550	
Total	\$20,580,458	\$18,053,420	\$72,315

Appendix 2

**State of West Virginia
Division of Natural Resources
Sites Visited**

Headquarters
South Charleston

District Office
Romney

Wildlife Management Areas

Beury Mountain
Castlemans Run Lake
Handley
Lewis Wetzel
Meadow River
Nathanial Mountain
Ritchie Mines
Sleepy Creek
Stonewall Jackson Lake
Woodrum Lake

Fish Hatcheries

Edray
Bowden
Reeds Creek

Public Access Sites

Elk River - Coonskin Park
Elk River - Mink Shoals
Fort Martin - Morgantown
Kanawha River - Daniel Boone
Kanawha River - Point Pleasant
Ohio River - Belleville

Other Facilities

Belleville Property
Elkins Operation Center
West Virginia State Wildlife Center

Appendix 3

**State of West Virginia
Division of Natural Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, B.1, and B.2	FWS management concurs with the recommendations, but additional information is needed.	Based on the FWS response, additional information is needed in the corrective action plan as listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after February 21, 2011) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement 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 mismanagement related to Departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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