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 State of Indiana, Department of Natural Resources, Division of Fish and Wildlife From July 1, 2004, Through June 30, 2006

Report No. R-GR-FWS-0018-2007

July 2008

United States Department of the Interior

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

July 29, 2008

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Christina M. Bruner Christina M. Bruner
Regional Manager, Eastern Region

Subject: Audit on the U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Indiana, Department of Natural Resources, Division of Fish and Wildlife From July 1, 2004, Through June 30, 2006 (No. R-GR-FWS-0018-2007)

This report presents the results of our audit of costs incurred by the State of Indiana (State) Department of Natural Resources (Department), Division of Fish and Wildlife (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 $39.8 million on 33 grants that were open during State fiscal years (SFYs) ended June 30 of 2005 and 2006 (see Appendix 1). The audit also covered Division 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 identified $56,788 in questioned costs due to unsupported expenses and in-kind (non-cash) contributions. We also found the Department had inadequate support for certain expenditures paid for with license revenue, did not report all of its program income, had incomplete real property records, and inadequate management of its equipment.

We provided a draft report to FWS and the Department for a response. We summarized the Department and FWS Region 3 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 October 27, 2008. 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. Tom Nadsady or me at 703–487–5345.

cc: Regional Director, Region 3, U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (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 Department:

- 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; and
- reported and used program income in accordance with federal regulations.

Scope

Audit work included claims totaling approximately $39.8 million on the 33 grants that were open during SFYs 2005 and 2006 (see Appendix 1). We report only on conditions that existed during this audit period. We performed our audit at Division headquarters in Indianapolis, IN, and visited one fish hatchery, nine fish and wildlife areas, five public access areas, two conservation clubs and one public fishing area (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendment 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

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

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 Division;

- reviewing transactions related to purchases, direct costs, indirect 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 the Division; and

- 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 them 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 Department operations.

Prior Audit Coverage

On December 22, 2003, we issued "Costs Claimed By the State of Indiana Department of Natural Resources, Under Federal Assistance Grants from the U.S. Fish and Wildlife Service from July 1, 2000, through June 30, 2002" (R-GR-FWS-0021-2003). We followed up on the status of the six recommendations in the report. Two recommendations have been resolved and implemented. The Department of Interior, Office of Assistant Secretary for Policy, Management and Budget (PMB) considers the four remaining recommendations resolved but not implemented. The recommendations relate to five findings:

1. unreported program income from barter transactions,

2. inappropriate use of land purchased with Program grant funds,

3. inadequate time coding by law enforcement officers,

4. equipment and land purchased with Program grant funds that was not recorded as such in the Division inventory, and

5. use of the cash basis of accounting.

Our current audit scope included the areas covered in the prior audit. Where conditions exist that still need improvement, we reported them in the Findings and Recommendations section of this report and both repeat the relevant recommendations from our prior report and make new recommendations. Documentation on the implementation of repeat recommendations should be sent to PMB.

We reviewed the State's most recent SFY2006 Comprehensive Annual Financial Report and Single Audit Report. Our review of the Single Audit Report found that the Division's Sport Fish and Wildlife Program grants were not considered major programs and were assessed a low risk.

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. However, we identified several conditions that resulted in the findings listed below, including $56,788 in questioned costs (federal share). We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. The Division could not provide support for one expenditure for which they received $52,154 in federal reimbursement, and two expenditures worth $50,288 that were paid for with license revenue. It also could not provide adequate support for the number of volunteer hours that it claimed under the grant to meet the State matching share of grant costs, which resulted in $4,634 in questioned costs.

Unreported Program Income From Barter Agreements and Boat Rentals. The Division did not report all the program income it earned from activities on lands managed with Program grant funds.

Inadequate Land Management Records. The Division improperly recorded a property purchased with $1,117,688 in federal funds as a State-funded purchase.

Inadequate Equipment Management. The Division did not have a comprehensive Division-wide inventory.

Loss of Proceeds from Equipment Sale. During the audit period, $376,792 earned from the sale of Division-owned vehicles and other equipment was deposited into the State general fund rather than the Division Fish and Wildlife fund, as it should have been.

Findings and Recommendations

A. Questioned Costs — $56,788

1. Lack of Supporting Documentation for License Revenue and Program Expenditures — $52,154

The Division must follow federal regulations when accounting for expenditures of grant funds and of revenue collected from the sale of hunting and fishing licenses. To test Division compliance with applicable regulations for SFYs 2005 and 2006, we reviewed 124 transactions that totaled $6.2 million in expenditures. The Division should have been able to but could not provide an original purchase order, invoice, or payment document for the purchase of three items worth $119,827. The Division paid for two of these purchases with license funds ($50,288). The Division received federal reimbursement for a portion of the third item, worth $69,539, under Grant

F-21-D-15, Statewide Hatcheries Operations. The grant required a 25 percent cost share, so the federal portion of that expense is $52,154 ($69,539 x 75 percent).

The Code of Federal Regulations (2 C.F.R. § 225, Appendix A, C.1.j), requires that for costs to be allowable under federal awards, they must be adequately documented. The State of Indiana, Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, commonly known as the State Accounting Manual, Chapter 1, places responsibility on each agency to "maintain and make available for audit, documentation supporting the validity and accountability of monies received or disbursed." Under 50 C.F.R. § 80.4, license revenues may be used only for fish and game purposes.

A Department official stated that record retention has not been a high priority in the Department, and has usually been assigned to temporary staff without adequate oversight. We are questioning the $52,154 that was reimbursed under the grant. Additionally, without adequate documentation for the $50,288 charged to license revenue, we cannot ensure the Division spent the funds on the eligible game and fish activities. We are not questioning these costs because license revenue is State funding. However, to demonstrate compliance with federal regulations, the Division must provide assurance they were used for fish and game purposes or repay the funds.

Recommendations

We recommend that the FWS:

1. resolve the $52,154 in questioned costs;

2. provide support for the $50,288 in expenses paid for with license revenue, or return that amount to the license revenue account; and

3. require the Department to strengthen its internal controls to ensure compliance with the State accounting manual.

<u>Department Response</u>

Department officials concurred with the recommendations. They stated the identity of some expenditures was lost during account sweeps associated with the transition to their new accounting system. They determined the $52,154 was an eligible grant expenditure to repair a fish hatchery well. However, they had not identified the use of the $50,288 in license revenue. Officials stated the amount may be supported after final account balancing or would be offset with general fund expenditures. They added that when the new accounting system transition is completed, internal controls will be strengthened and they will be in full compliance with the State accounting manual.

FWS Response

FWS regional officials concurred with the recommendations and stated they will consider the Department's proposals in the corrective action plan.

OIG Response

While the FWS concurred with the recommendations and the Department officials indicated they are taking action to address them, additional information is needed in the corrective action plan. In addition to the specific actions planned or taken, the plan should include:

- targeted completion dates
- titles of officials responsible for implementation, and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

2. Unsupported In-Kind Contributions — $4,634

The Division received the Fall Creek Valley Conservation Club Shooting Range Grant W-32-S-14 in SFYs 2006 and 2007 for shooting range improvements. The Grant terms required the Division to expend 25 percent of "State matching" grant costs using non-federal funds. The Division claimed volunteer labor hours valued at $6,179 as the matching State share of grant costs. Grantees are permitted to use the value of such in-kind (non-cash) contributions to meet the "State matching requirement," but they must adequately support the value of the contributions claimed. To ensure it had adequate support for the in-kind contributions claimed, the Division should have, but did not, require the volunteers who donated their time to sign a timesheet for the labor hours worked. [2]

Federal regulations (43 C.F.R. § 12.64) permit grantees to use, as the State matching share of costs, the value of third party in-kind contributions received during the grant period. When a State uses third party in-kind contributions to meet its matching share of expenditures, the regulations require that the contributions be verifiable from grantee records and that, to the extent feasible, the grantee support volunteer services by the same method used to support regular personnel costs. In addition, the Guidelines for the Department Shooting Program (page A-53) contain the State-specific requirements for qualified donated labor. The Guidelines require volunteers to sign a timesheet to verify the hours and days worked.

[2] The Division received donated labor valued at $7,230, but claimed only the portion needed to meet the matching requirement. The Division did not have adequate support for any of the $7,230 worth of labor hours accumulated.

The Division expended and claimed $18,537 in cash outlays under Grant W-32-S-14. The FWS reimbursed this amount as the federal share of grant costs. However, because the in-kind contributions used as the State matching share of costs were unsupported, the Division is only entitled to receive reimbursement for $13,903, or 75 percent of the cash outlays, as described in the table below.

	Claimed Expenses	**Unsupported Expenses**	**Revised Federal and State Share of Cash Outlays**
Federal Share	$18,537		$ 13,903 *(75 percent of $18,537)*
State Share	$ 6,179 *(in-kind)*	$6,179 *(in-kind)*	$ 4,634 *(25 percent of $18,537)*
Total	$ 24,716		$18,537

Table 1. Summary of Questioned Costs

We are questioning $4,634, the difference between the reimbursement received and the amount to which the Division is entitled. To be eligible to receive the full $18,537 claimed for federal reimbursement, the Division will need to provide additional support for the in-kind contributions claimed as the State matching share.

A Division official stated that the omission of volunteer timesheets was a mistake.

Recommendations

The FWS should work with the Division to:

1. resolve the questioned federal share of $4,634 or provide additional support for the $6,179 claimed in in-kind contributions and

2. establish procedures that ensure the Division accurately and adequately documents in-kind labor.

Department Response

Department officials concurred with the recommendations. They stated that they are working on documenting signatures for the volunteer services received. They also stated that they rely on the grant documents to accurately document the amount and type of information required for volunteer services.

FWS Response

FWS regional officials concurred with the recommendations and stated they will consider the Department's proposals in the corrective action plan.

OIG Response

While the FWS concurred with the recommendations and the Department officials indicated they are taking action to address them, additional information is needed in the corrective action plan. In addition to the specific actions planned or taken, the plan should include:

- targeted completion dates,
- titles of officials responsible for implementation, and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

B. Unreported Program Income from Barter Agreements and Boat Rentals

States may earn income using Program grant funds if the income is incidental to the grant activities, but they must report such “program income” earned in an agreed-upon manner. The Division earned program income under the grants through barter and cash transactions. However, Division officials failed to report the income to FWS, as required.

The Division entered into barter transactions on lands within the Fish and Wildlife Areas (FWAs) managed and maintained with funds provided under Grants FW-22-D-37, FW-22-D-38 and FW-22-D-39. The barter transactions allow farmers to grow crops on FWAs in exchange for either leaving a portion of the crops for wildlife and/or for providing the Division with goods and services. The gross value of the crops, goods, and services should have been reported as program income, but was not. We also identified unreported program income from barter transactions in our last audit (Report No. R-GR-FWS-0021-2003).

The Division also failed to report cash income that it earned under Grants FW-22-D-37 and FW-22-D-38. It earned $3,256 under FW-22-D-37 and $16,429 under FW-22-D-38 from boat rentals, but did not report this income on the final Financial Status Reports (SF-269s).

Under 43 C.F.R. § 12.65, program income is gross income a grantee receives that is “directly generated by a grant-supported activity.” Grantees may earn such program income from grant-related activities, but federal regulations (50 C.F.R. § 80.14(c)) require grantees to report such income to FWS. The FWS Manual, Section 522.19, Exhibit 1 provides further clarification on the types of activities the FWS considers program income. It includes in its list income from fees charged for using facilities purchased or managed with Program grant funds, income they receive from contractor provided services, and other income that is directly generated by a grant supported activity.

Division personnel did not estimate or report program income from barter transactions because they were following the prior audit report's Corrective Action Plan (CAP). The CAP stated the Division would wait to take action until the release of a FWS policy decision regarding barter income, which was to be based on the recommendations of a Federal-State Joint Policy Task Force. The CAP stated FWS would issue a policy and procedure by June 30, 2008.

Division personnel did estimate program income from boat rentals and included the estimates on the grant agreements for FW-22-D-37 and FW-22-D-38. A Division official told us she intended to include income from boat rentals with all other program income when she summarized and reported it on the SF-269s. However, boat rental income was inadvertently recorded in the accounting system with a non-program income revenue code, so it was left out of the final calculation of program income earned.

We were unable to determine the total value of barter program income, but identified $19,685 in boat rental income for the two grants that should have been reported as program income. We determined there was no monetary impact because the Department spent over $400,000 more than it claimed for reimbursement under the grants. However, proper identification and reporting of program income will help the Division and FWS account for the income appropriately and used it for grant-related purposes, as required.

Division management agreed with the finding, and they are currently working with FWS to identify what types of income should be reported.

We repeat one open recommendation from our prior audit and make one new recommendation. The Department has not yet taken action to implement the repeat recommendation. The implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report (R-GR-FWS-0021-2003).

Repeat Recommendation

We recommended in our prior audit report that the FWS require the Department to adopt procedures to report total gross income generated by program activity and any reductions to income (Recommendation B.1 in the prior audit report).

New Recommendation

We recommend that FWS require the Department to revise the SF-269s for the affected grants to account for the $19,685 in unreported program income.

<u>Department Response</u>

Department officials stated they would continue to follow the corrective action plan for the prior audit report for the repeat recommendation. They concurred with the new recommendation and are working on revised SF- 269s.

FWS Response

FWS officials stated the repeat recommendation has been resolved with the issuance of new guidelines. On February 20, 2008, an amendment to FWS Manual 522 FW19, Exhibit 1was issued. The amendment added a statement that cooperative farming is not to be considered program income.

FWS officials concurred with the new recommendation (to revise the affected grants for the $19,685 in omitted program income) and stated they will consider the Department's proposals in the corrective action plan.

OIG Response

The implementation of the repeat recommendation will be tracked under the prior audit report. Accordingly, the FWS should send documentation regarding the implementation of this recommendation to PMB. In submitting such documentation, we suggest FWS consider whether the new guidance cited provides adequate clarity to the States and regions on how to handle barter transactions. We believe the guidance does not adequately address the underreporting of non-cash value received by the Department as a result of barter transactions. The guidance cited by the FWS regional officials does not address barter activities for goods and services that are not directly related to farming or grazing activities, nor does it provide guidance on how to disclose barter transaction to FWS.

While the Department officials indicated they are taking action to address the new recommendation, additional information is needed in the corrective action plan. In addition to the specific actions planned or taken, the plan should include:

- targeted completion dates,
- titles of officials responsible for implementation, and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

C. Inadequate Land Management Records

Federal regulations (50 C.F.R. § 80.19) require each State to maintain complete property records and to follow the records requirements in the Federal Aid Manual and OMB Circular A–102. Under 50 C.F.R. § 80.18(c), the Division is responsible for controlling all assets and assuring they serve the purpose for which acquired. To determine whether the Division has adequate controls over federally-purchased land, we compared a sample of land records contained in a database maintained by the FWS to those maintained by Division. We also reviewed supporting documentation maintained by the Division. The supporting records include documents such as land acquisition maps, appraisals, deeds, correspondence, and accounting transactions.

We found that one of the ten FWS land acquisitions that we tested was improperly recorded in the Division's records as a State-funded purchase, rather than as an acquisition funded by the Program. Grant FW-23-L-11, for the grant period March 1, 1995 to December 31, 2005, provided the funding for this improperly coded acquisition. Under this grant, the Division purchased a property called the Latta Mine using $1,117,688 in federal funds. A Division official stated that the land was recorded as a State funded purchased because the grant number was missing from the hard copy land acquisition file. We also found that the Division had not reconciled its land records with those maintained by FWS.

Without accurate records the Division cannot ensure accountability and control of land purchased with Program grant funds.

Recommendations

The FWS should work with the Division to:

1. properly record the funding source of the Latta Mine in the Division's database and

2. reconciles its land records with FWS records.

<u>Department Response</u>

Department officials concurred with the recommendations and stated that on February 13, 2008 they corrected the Division's database and have reconciled its land records with FWS records.

<u>FWS Response</u>

FWS regional officials concurred with the recommendations and confirmed that the Division identified the source of funding for the Latta Mine and had reconciled its land records with the FWS.

<u>OIG Response</u>

Based on the Department's and FWS' responses, we consider the recommendations resolved and implemented

D. Inadequate Equipment Management

To ensure States maintain control over their equipment, federal regulations (50 C.F.R. §§ 80.18 and 80.19) require each State to have adequate controls in place, as described in Finding C of this report. We reviewed the Division's equipment inventory system and selected a sample of 44 equipment items to test in the field.[3] We tested the equipment to ensure it was physically located at the site identified in the inventory and that it was properly identified with tags. We identified problems with the Division's controls over its equipment.

The Division maintained inventories at the field location level, but did not have an accurate and complete inventory of its equipment at the Division level. The Division had a system at one time but stopped maintaining it before it implemented a planned replacement system. We reported a similar condition in our last audit and recommended that the Division establish an asset management system that is complete and current. The Division has not yet developed the replacement system, and it has relied on its field locations to independently maintain separate inventories. As a result, the Division could not determine from a single document or in a timely manner what equipment is owned, its location, or which individuals are assigned individual pieces of equipment. Additionally, we found that the inventories of Division equipment that field offices maintained did not always identify the source of funding for each piece of equipment. We also reported this condition in our last audit.

Of the 44 equipment items tested in the field, the only exception was for a boat trailer that had the wrong license plate on it. However, since the Division lacks a comprehensive inventory, it does not have information on its total assets. For example, in SFYs 2005 and 2006, the Division used $564,150 ($473,200 in SFY2005 and $90,950 in SFY2006) in license funds to purchase 550 computer terminals for the sale of hunting and fishing licenses, and $67,000 of license funds to purchase 65 desktop computers. The Division has no comprehensive record of the location of these individual items, or any of the other items maintained by its field locations, to summarize and verify purchases made.

The State of Indiana Accounting Manual (Chapter 10 Capital asset inventory page 10:1) states "The monitoring of capital assets allows the state to keep track of, and locate if need be, all land, infrastructure, buildings, and equipment owned by the state." On page 10:2, it provides guidelines for the dollar threshold for inventory items, the frequency and content of inventory reports, and for annual audits. However, due to the poor inventory controls in the Division, once equipment items are disbursed to the field, the Division has lost control of them.

The prior audit's corrective action plan established a date of September 30, 2008 for the recording of the Program ownership percentage in a new Statewide inventory system. A Division official told us they do not have a Division-wide inventory due to years of delay incurred trying to build a replacement system.

The lack of inventory puts the Division at risk of losing federally and State funded equipment. Additionally, the total value of federal and State owned equipment cannot be determined.

[3] The inventory tested was valued at $483,173. As discussed in this finding, we could not determine what portion of this inventory was purchased with Federal Assistance Program funds or license revenue, because the inventory lacks information on the source of funding for the equipment purchase.

We repeat one open recommendation from our prior audit. The Department has not yet taken action to implement this recommendation. The implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report (R-GR-FWS-0021-2003).

Repeat Recommendation

We recommended in our prior audit report that the FWS monitor the Department's establishment of an asset management system that provides inventory data that is complete and current and that identifies the funding source (Recommendation B.4 in the prior audit report).

Department Response

Department officials concurred that they did not have an accurate equipment inventory system and that they would continue to follow the corrective action plan for the prior audit.

FWS Response

FWS regional officials concurred with the recommendation and stated they will follow the prior report's corrective action plan.

OIG Response

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 PMB.

E. Loss of Proceeds from the Sale of Equipment

Department personnel deposited $376,792 from the sale of vehicle and other equipment into the State general fund. In doing so, the Department may have violated federal regulations that restrict the use of income from the sale of equipment purchased with license revenues.

Under 50 C.F.R. § 80.4, license revenues include income from the sale of personal property that was originally acquired with license revenues. The regulation specifies that license revenues may be used only for fish and game purposes. If the revenues are diverted to other purposes and the FWS Director declares a diversion has occurred, the State may become ineligible to participate in the Program.

The State Accounting Manual (Chapter 12 Federal Financial Assistance Programs page 12:5) states, "The federal awarding agency, the grant agreement, and the Code of Federal Regulations should be consulted to determine if there are any specific requirements for the dispositions of equipment. In most instances, follow state policies in disposition of equipment." A Department official stated the Department followed an unwritten policy to finance an existing State equipment management system with the equipment sale proceeds, which is in violation of its written policy to follow federal guidelines for equipment disposition.

The Department could not tell us what portion, if any, of the $376,792 was originally purchased with license revenues. If the Department determines any of the sold equipment was purchased with license revenues, the proceeds from such equipment should be deposited into the Division's fish and wildlife fund, which contains restricted license revenue monies. If license revenues from equipment sales are not deposited into the fund, the FWS Director could declare a diversion of license revenue has occurred and the Department may become ineligible to receive additional Program grant funds.

Recommendations

The FWS should require the Department to:

1. determine whether any of the equipment sold was originally purchased with license revenues and, if so, return it to the Division fish and wildlife fund; and

2. clarify and follow the State accounting manual so it ensures the appropriate treatment of income from the sale of equipment purchased with license revenues.

Department Response

Department officials concurred with the recommendations. For the first recommendation, the Department is taking action to recover the proceeds from the sale of equipment that was originally purchased with license revenue. For the second recommendation, the Department stated the development of the asset management group will provide the necessary clarification and detail to ensure program compliance in the future.

FWS Response

FWS officials concurred with the recommendations and stated they will consider the Department's proposals in the corrective action plan.

OIG Response

While the FWS concurred with the recommendations and the Department officials indicated they are taking action to address them, additional information is needed in the corrective action plan. In addition to the specific actions planned or taken, the plan should include:

- targeted completion dates,

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

Appendix 1

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF FISH AND WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2004 THROUGH JUNE 30, 2006

GRANT NUMBER	GRANT AMOUNT	TOTAL OUTLAYS	UNSUPPORTED COSTS (FEDERAL SHARE)
F-10-D-37	$1,948,940	$2,210,784	
F-10-D-38	2,024,000	2,229,004	
F-10-D-39	1,990,000	2,285,461	
F-18-R-17	918,459	742,085	
F-21-D-14	2,183,000	2,179,068	
F-21-D-15	2,089,000	2,092,019	$52,154
F-21-D-16	1,990,000	1,870,853	
F-24-E-9	241,878	240,281	
F-24-E-10	372,582	295,746	
F-24-E-11	353,873	295,061	
F-26-L-1	243,250	243,250	
FW-14-C-51	132,530	89,333	
FW-14-C-52	132,530	108,493	
FW-14-C-53	120,100	109,333	
FW-21-D-37	1,094,000	1,115,756	
FW-21-D-38	1,110,000	956,641	
FW-21-D-39	985,000	843,705	
FW-22-D-37	3,989,449	4,204,173	
FW-22-D-38	4,097,401	4,230,306	
FW-22-D-39	4,011,721	4,161,490	
FW-26-T-14	393,814	359,698	
FW-26-T-15	414,726	399,907	
FW-26-T-16	414,726	367,926	
FW-28-D-3	1,824,325	1,548,290	
FW-28-D-4	230,000	197,163	
FW-28-D-5	800,000	800,000	
FW-28-D-6	1,132,000	1,378,605	
FW-28-D-7	5,049,100	3,268,701	
W-26-R-36	585,197	676,268	
W-32-S-11	217,333	217,383	
W-32-S-12	52,000	54,043	
W-32-S-13	127,000	0	
W-32-S-14	24,730	25,767	4,634
TOTAL	**$41,292,664**	**$39,796,593**	**$56,788**

Appendix 2

INDIANA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF FISH AND WILDLIFE
SITES VISITED

Headquarters

Indianapolis

Fish and Wildlife Areas

Atterbury
Crosley
Glendale
Hillenbrand
Minnehaha
Pisgah Marsh
Tri-County
Wilbur Wright
Winamac

Other

Falls Creek Valley Conservation Club
Mixsawbah Fish Hatchery
Wells County Conservation Club

Public Access Areas

Crystal station
Engle Lake
Koontz Lake
Old Lake
St. Joseph River

Public Fishing Area

Brownstown

Appendix 3

INDIANA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF FISH AND WILDLIFE
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
C.1 and C.2	Resolved and implemented	No further action required
A1.1, A1.2, A1.3, A2.1, A2.2, new B, E.1, and E.2	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 headquarters 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 October 27, 2008) to the Assistant Secretary for Policy, Management and Budget (PMB) for resolution and /or tracking of implementation.
Repeat B and D	Repeat Recommendations B.1 and B.4 from our prior report (R-GR-FWS-0021-2003). 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 concerns 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.

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