



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

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Grants
Administered by
the State of Vermont,
Agency of Natural Resources,
Department of Fish and
Wildlife, from July 1, 2001,
through June 30, 2003**

Report No. R-GR-FWS-0005-2004

September 2004



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

September 16, 2004

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Joe Ansnick
Director of External Audits

Subject: Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, from July 1, 2001, through June 30, 2003 (No. R-GR-FWS-0005-2004)

This report presents the results of our audit of costs incurred by the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife (Department), under its hunting and fishing programs and costs claimed under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims that totaled approximately \$7.7 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1).

We found:

- Unsupported costs of \$29,120 for payments made to another State agency.
- Unreported program income of \$242,919 on grants for the operation and maintenance of wildlife management areas (\$55,289) and for aquatic education (\$187,630). In addition, the Department bartered with farmers to leave crops unharvested in exchange for additional acreages to farm on a wildlife management area, the value of which should have been reported as program income.
- A firing range built on Sport Fish Restoration Act funded land that prohibited public access.
- The computer equipment inventory was not current.
- The State did not have an adequate land management system that identified lands purchased with Federal Assistance funds and with license revenues.

- License certifications for calendar years 2001 and 2002 were overstated by 1,031 and 1,974, respectively.
- Property acquired with Land and Water Conservation funds were maintained with Federal Assistance funds instead of State funds.

The Department and FWS responded to a draft of this report on August 18, 2004. We summarized the Department's responses after our recommendations. The FWS stated that it would work closely with the Department in the development of the Corrective Action Plan. We also added our comments regarding the Department's responses.

In accordance with the Departmental Manual (361 M 1), please provide us with your written response to the findings and recommendations included in this report by December 16, 2004. Your response should include information on actions taken or planned, including target dates and titles of officials responsible for implementation. If you have any questions regarding this report, please contact me at (703) 487-5345 or Mr. Tom Nadsady, Audit Team Leader, at (916) 212-4164.

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 Act (Acts)¹ authorize U.S. Fish and Wildlife Service (FWS) to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. They also specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state's fish and game agencies.

Scope, Objective, and Methodology

We performed our audit at the Vermont Department of Fish and Wildlife (Department) headquarters in Waterbury, Vermont. The audit work at the Department included claims that totaled approximately \$7.7 million on FWS grants that were open during the State's fiscal years (SFYs) ended June 30, 2002 and 2003 (see Appendix 1). We also visited a fish hatchery and several wildlife management areas, District Offices, a State Police dispatch office (where a Wildlife Conservation Officer maintained his office), and boat ramps (see Appendix 2). The objective of our audit was to evaluate:

- the adequacy of the Department's accounting system and related internal controls;
- the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS;
- the adequacy and reliability of the Department's hunting and fishing license fees collection, certification and disbursement processes;
- the adequacy of the Department's asset management system and related internal controls with regard to purchasing, maintenance, control and disposal; and
- the adequacy of the State's compliance with the Acts' assent legislation requirements.

We performed our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that we considered necessary under the circumstances. Our tests included an examination of evidence supporting selected expenditures charged by the Department to the grants; interviews with employees to ensure that personnel costs charged to the grants were supportable; and a review of the Department's use of fishing and hunting license revenues to determine whether the revenues had been used for program purposes. We did not evaluate the economy, efficiency, and effectiveness of the Commission's operations.

¹ As amended 16 U.S.C. § 669 and 16 U.S.C. § 777

Prior Audit Coverage

On February 25, 2000, we issued audit report No. 00-E-246, “U.S. Fish and Wildlife Service Federal Aid Grants and Payments to the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, for Fiscal Years Ended June 30, 1996, and 1997.” The State Auditor also issued single audit reports on the State of Vermont for SFYs 2001 and 2002. The Department was considered a major program in both audits and selected for audit in 2001. It was not audited as a major program in 2002. We reviewed these audits, but they did not contain any findings related to the Department. Due to delays in the issuance of the 2002 single audit (issued in November 2003), the SFY 2003 single audit was also delayed and had not been issued as of the date of our audit exit on May 14, 2004.

Results of Audit

Our audit disclosed that:

- except for findings A and B below, the Department's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements;
- the direct and indirect costs were accurately reported and claimed;
- except for finding F below, the Department's hunting and fishing license fees collection, certification and disbursement processes were adequate and reliable;
- except for findings D and E below, the asset management system accurately identified and tracked personal and real property with regard to acquisition, control and disposal; and
- the State had adequate legislation that assented to the provisions of the Acts and prohibited the use of license fees for anything other than the administration of the Department.

However, we found that:

- A. Employee Labor Costs. The Department reimbursed another department for services it provided. However, that reimbursement exceeded the costs incurred by \$29,120, and the services provided by the other department included two ineligible activities.
- B. Program Income. The Department did not report \$242,919 in program income from the sale of timber, from the sale of an agricultural lease at the Dead Creek Wildlife Management Area, and from the Aquatic Education program enrollment fees and donations at the Green Mountain Conservation Camps. It also failed to report the value of unharvested crops received from farmers in exchange for permission to farm more acreage in wildlife management areas.
- C. Diversion of Use. The Department allowed the Division of Law Enforcement to build a firing range on Sport Fish Restoration Act funded land and has excluded the public from the use of those lands.
- D. Personal Property Management. The Department has not kept its computer equipment inventory current.
- E. Land Asset Management. The Department and the State do not have an adequate land management system to maintain control of land purchased with Federal Assistance funds or with license revenues.
- F. License Certifications. The Department's annual license certifications for calendar years 2001 and 2002 were overstated because they included 1,031 and 1,974 duplicate hunting and fishing license holders, respectively.
- G. Land and Water Conservation Funds. The Department used Federal Assistance funds to maintain property acquired with Land and Water Conservation Act funds. The Act required that the State use its own funds to maintain Land and Water Conservation acquired lands.

A. Employee Labor Costs \$29,120 (Federal Share \$21,840)

1. Unsupported Labor Costs. The Department claimed \$175,900 in labor costs under Grant W-46-D-22, and we identified support for \$146,780 of these costs. The balance of \$29,120 (\$175,900 less \$146,780) was unsupported.

On April 8, 2003, the Department of Fish and Wildlife signed a one year Memorandum of Understanding (MOU) with the Department of Forests, Parks and Recreation (Parks and Recreation), which was effective on July 1, 2002. This agreement provided for some wildlife habitat development work to be performed by Parks and Recreation staff. The agreement also provided for the direct charging of Parks and Recreation employee costs to Grant W-46-D-22 program activities.

For SFY 2003, time codes representing wildlife habitat development were not made available to Parks and Recreation staff for time reporting. Accordingly, Parks and Recreation staff charged time to time codes that did not identify any work as wildlife habitat development. However, Parks and Recreation staff maintained log books in which they recorded their wildlife habitat development work. We found support for \$146,780 (except for those costs for ineligible activities discussed in A.2 below) of wildlife habitat development work consisting of \$109,880 for labor costs, which were documented by employee log books, and \$36,900 for shared regional secretarial labor and other costs. As a result, we concluded that Fish and Wildlife could not support the difference of \$29,120 (Federal share \$21,840) of wildlife habitat development costs incurred by Parks and Recreation and claimed by Fish and Wildlife under Grant W-46-D-22.

For SFY 2002, there was no agreement between the two Departments. Fish and Wildlife made transfers of \$85,359 to Parks and Recreation for wildlife habitat development work, which was supported by logbooks and for shared secretarial labor costs. The two Departments evenly split the secretarial labor costs based on the similar staff sizes of each Department. We concluded that the secretary's time worked for each Department should have been recorded on time sheets instead of being split evenly based on the staff sizes of each Department.

We believe that restricting the use of time codes for Federal Assistance grant activities to staff of Fish and Wildlife is an appropriate management control. In this way, Parks and Recreation was forced to account for their activities to Fish and Wildlife. This is an appropriate grants management tool that should have allowed Fish and Wildlife to properly administer the fish and game activities of the State. This control was circumvented when transfers were made to Parks and Recreation without requiring Parks and Recreation to properly account to Fish and Wildlife for the costs that justified the transfers.

2. Ineligible Work Activities. Among the activities conducted by Parks and Recreation under the MOU were maintaining horse trails and eliminating logging roads, both of which were ineligible activities under Grant W-46-D-22. Yet, Parks and Recreation staff claimed labor costs including these ineligible activities under Grant W-46-D-22.

The State of Vermont asset management system (VISIONS) manual, 101 VISION System Overview, dated July 2003, page 7, item G Maintenance of Transaction Support Documentation, states “departments are expected to maintain their own supporting records.” Code of Federal Regulations 50 CFR 80.14 Application of Federal Aid funds states “(a) Federal Aid funds shall be applied only to activities or purposes approved by the regional director.”

Horse trails are primarily used for recreation. Eliminating logging roads is a responsibility of Parks and Recreation, and this responsibility is often made a requirement of the companies that built the logging roads to do the logging. The grant proposal for W-46-D-21 and W-46-D-22 identified five activities and 23 grant objectives, but none of them included maintaining horse trails and removing logging roads.

As pointed out above, Parks and Recreation did not have access to time codes for wildlife habitat development. In addition, Parks and Recreation was not informed of the more stringent accounting requirements accompanying Federal grants, and Fish and Wildlife did not adequately monitor Parks and Recreation activities. As a result, costs of maintaining horse trails and eliminating logging roads became part of the labor costs claimed under Grants W-46-D-21 and W-46-D-22. Because these activities and the time spent working on them were not separately identified in log books, we were unable to identify the amount of wildlife habitat development costs associated with them.

Recommendations

We recommend that the FWS:

1. Resolve the \$29,120 (Federal share \$21,840) of unsupported labor costs claimed under Grant W-46-D-22 and , in the future, require time sheets to support secretarial labor costs.
2. Resolve the issue of using Federal Assistance funds to maintain horse trails and to remove logging roads.
3. Assist Fish and Wildlife in developing policies and procedures for obtaining services from other State agencies that are properly supported and include only eligible Federal Assistance or license fee reimbursable activities.

Department Response

The Department did not address the resolution of the \$29,140 in unsupported labor costs. It agreed “that the coding system was deficient for use by Forests, Parks and Recreation staff charging time to Grant W-46-D-22 during the audit period.” In addition, the Department acknowledged that there were inadequate communications and/or monitoring that led to grant charges for ineligible activities. With regard to resolution of the third recommendation the Department stated, “However, both of these deficiencies (the coding

system and inadequate communications and/or monitoring) were corrected during SFY 04 with new coding procedures and policy guidelines regarding eligible activities verbally communicated to affected staff. We do not anticipate any future labor charges by Forests, Parks, and Recreation staff to Grant W-46-D.”

With regard to the secretarial labor charges to both programs, the Department stated, “Effective July 1, 2004, the secretarial employee is now coding labor costs.”

Office of Inspector General Comments

The Department’s response did not indicate specifically whether it agreed or disagreed with each of the recommendations. The Department should indicate whether it agrees or disagrees with Recommendations A.1 and A.2 above. With regard to Recommendation A.3, we believe that the actions taken by the Department will resolve the issue and result in implementation of the recommendation. FWS should obtain copies of the new coding procedures and policy guidelines. Additionally, FWS should obtain a copy of the secretary’s time sheet to ensure that time is being recorded as worked and charged to Fish and Wildlife and Parks and Recreation based on the actual time worked in each area.

Because the response from the FWS Regional Office did not indicate whether FWS concurred with the findings and recommendations, FWS should address them and indicate in the corrective action plan whether it concurred with the findings and three recommendations.

B. Program Income

The Department earned \$242,919 on grants for the operation and maintenance of wildlife management areas (\$55,289) and for aquatic education (\$187,630). In addition, the Department bartered with farmers to leave crops unharvested in exchange for additional acreages to farm on a wildlife management area.

The Department received program income of \$47,394 in SFY 2002 and \$7,895 in SFY 2003 from the sale of timber on Wildlife Management Areas for which the department received operation and maintenance funds under Grants W-46-D-21 and W-46-D-22. These grants for Wildlife Habitat Development included the following as one of its 10 objectives: “To alter an average [of] 500 acres of wooded habitat annually via timber harvesting on Wildlife Management Areas statewide.”

The Green Mountain Conservation Camps charged approximately 43 percent of its SFY 2003 costs to the Aquatic Resources Education Program Grant F-19-E-14. The Department charged camp participants and collected \$91,416 in SFY 2002 and \$96,214 in SFY 2003 to offset camp costs incurred. In addition to these collections were donations from organizations and individuals to help participants cover the enrollment fee, but information was not available to quantify the total of the donations.

One agricultural lease on part of the Dead Creek Wildlife Management Area required the lessee to pay \$350 per month and to leave 10 acres of corn and 40 acres of other crops unharvested. However, in exchange for leaving the crops unharvested, watchman services, and general maintenance of the working farm facilities, no cash payments were made because the value of the lessee-provided services exceeded the required cash payment.

According to 43 CFR Part 12.65, program income is gross income received by a grantee directly generated by a grant-supported activity. Program income should be deducted from total grant costs to determine net costs on which the grantor's share will be based, or added to the project funds to further eligible program objectives. In addition, the grant agreement should identify the estimated amounts, sources, and method of accounting for the program income.

Department officials were unaware of requirements regarding program income earned on wildlife management areas receiving Federal Assistance funds for their operation and maintenance.

Recommendations

We recommend that the FWS:

1. Resolve the issue of the unreported \$242,919 of program income.
2. Resolve the issue of the unreported value of the unharvested crops that the Department received in exchange for the leasing of additional acreages of wildlife management areas to farmers.
3. Assist the Department in training its staff to ensure proper reporting of program income in future grants.

Department Response

The Department's "accounting staff were unaware of the program income requirements as explained in this audit." The Commissioner of the Department stated that, "At no time in the past, during previous audits or otherwise, has program income been identified as a reporting deficiency of my Department. In fact, we believe there have been mixed messages or policy guidance on this topic, and we do not believe we should be held liable for this. We fully anticipate complying with the new guidance provided in 43 CFR Part 12.65."

Office of Inspector General Comments

The Department's response indicated that it had been given different guidance on this issue by the FWS Regional Office. Accordingly, it did not agree with the finding and the three recommendations. We believe that FWS should discuss the finding and recommendations with Department officials and convince them of the importance of

implementing the recommendations. In addition, FWS should address the finding and recommendations in the corrective action plan.

C. Diversion of Use

The Department purchased Buck Lake with Sport Fish Restoration Act funding from Grant F-16-L-1, in September 1970, but turned a three to five acre portion of the site over to the Division of Law Enforcement to be used as a shooting range. The Division of Law Enforcement prohibited the public access to the shooting range. The FWS agreed to a land exchange to resolve the diversion of use of this parcel of land in a December 25, 1985, letter from the Assistant Regional Director for Federal Assistance. However, the Department could find no evidence in either the State lands division or any Agency of Natural Resources records to confirm that this land exchange took place.

As a result, we concluded that the Department did not comply with 50 CFR §80.6, which states under Prohibited Activities, “The following are not eligible for funding under the Acts, except when necessary for the accomplishment of projects proposed as approved by the regional director. (a) Law enforcement activities conducted by the State to enforce the fish and game regulations.”

In addition, the Department did not comply with 43 CFR §12.71, which states: “(b) Use. Except as otherwise provided by Federal statutes, real property will be used for the originally authorized purposes as long as needed for that purpose, and the grantee or subgrantee shall not dispose of or encumber its title or other interests.”

Both the State of Vermont and the FWS have known about this issue for many years. Neither organization could explain why the issue has not been resolved. The property has not been used for its originally intended purpose for many years.

Recommendation

We recommend that the FWS work with the Department to resolve the diversion of use of this property acquired with Federal Assistance funds.

Department Response

The Department is anxious to clear up this situation. The Department strongly disagreed with the OIG conclusion that the property had not been used for its originally intended purpose for many years. It stated that fishing access always has been and continued to be offered on the property. It stated that the range is located 1.29 kilometers from the lake access and that the Law Enforcement Division only used the range a total of six days annually. The Commissioner: 1) believed the issue was resolved in the past but had no documentation to verify that; 2) disagreed that fishing access was restricted to the public but agreed to erect better signage to notify the public, and 3) proposed a land-swap

agreement or a memorandum of agreement to articulate acceptable uses of the property and identify a decision-maker of record regarding use.

Office of Inspector General Comments

Although the Department did not specifically state whether it agreed with the finding and recommendation, it wants to resolve the issue by implementing our recommendation. We consider the Department's proposed action to be appropriate. FWS should address the finding and recommendations in the corrective action plan.

D. Personal Property Management

The Department has not kept its computer equipment and real property asset inventory current, and its system does not identify the funding source for acquired assets.

Department officials at the Pittsford and Barre District offices did not have an inventory of Department computer equipment. The Agency for Natural Resources information technology (IT) computer specialist maintained a database of IT equipment (computer, printers, etc) for all Department locations. However, this database and the State's asset management system, VISIONS omitted four laptop computers at the two district offices visited. The Agency IT computer specialist was able to identify from other records that one of the laptops was purchased in May 2000 and two were at least 5 years old. The fourth could not be identified.

In accordance with the State of Vermont Bulletin No. 1, Asset Management Policy, item III, Non-Depreciated Assets, item 2: "Departments will be required to track in the Asset Management Module all computer equipment regardless of cost..."

Department officials stated that VISIONS has not been kept up to date due to staff shortages.

We concluded that because the asset management system has not been kept up to date and the Department did not keep its own inventory of assets, the Department could lose control of sensitive computer equipment.

Recommendation

We recommend that the FWS assist the Department in creating an up-to-date inventory of personal property that identifies the funding source as Federal Assistance, license fee, or other.

Department Response

The Department stated that a physical inventory was conducted in May 2004. In June 2004, the computer inventory maintained by the Information Technology Division of the Agency of Natural Resources was updated and synchronized with the State's Vision System assets database. In addition, a new procedure is being developed, intended to

ensure the timely creation, updating and synchronization of new computer equipment asset records on a continuing basis rather than on the yearly update cycle previously performed. In addition, it stated they will explore opportunities for identifying the funding source within this database.

Office of Inspector General Comments

Although the Department did not indicate whether it agreed with the finding and recommendation, we consider the Department’s proposed action to be appropriate. An important aspect of the inventory or asset database should be the identification of acquisition funding. FWS should address the finding and recommendation in the corrective action plan.

E. Land Management System

The Department did not have an adequate land management system to maintain control of land purchased with Federal Assistance, license fees, or other funds. We found that for five of six of the latest Federal Assistance purchases, the Department summary and legal land records did not record the Federal Assistance contribution. These land acquisitions were the following:

<u>Acquisition Name</u>	<u>Acres</u>	<u>Funding Source</u>	<u>Date Purchased</u>
Tiny Pond	497	W-48-L	10/07/1996
Wheelock	1980	W-49-L	10/17/1996
Middlesex Notch	603	W-50-L-1	06/12/1998
Holland Pond	115	W-52-L-1	10/15/1998
Brouha	73	W-54-L-1	08/16/2000

We expanded our review of land purchased with Federal Assistance grants and compared a listing of Federal Assistance land acquisition grants to State land records. The listing we used was prepared by the FWS regional office and provided to the Department in December 1999. The comparison showed that of 63 grant-funded acquisitions, 53 were documented by the State summary record as Federal Assistance funded. However, when we reviewed the legal files, which were supposed to support the summary record, only four files documented that the funding source was Federal Assistance.

When we attempted to review land acquired with license fees, the Department could not furnish a list of lands purchased with State license fees. However, we tested two transactions that took place within the audit period and found that one land parcel and one hatchery building purchased with license funds were not documented in the land records as follows:

(1) The Lapham's Bay access, a 2.7 acre boating access site purchased in SFY 2002 with license funds, was shown in the State lands legal file as funded by a combination of Federal and State funds, and

(2) The Ed Weed Fish Culture Station was built on State lands with license funds, but the source of funds was not documented in the land file.

Land acquisition records are the responsibility of the Department of Forests, Parks and Recreation, State Lands Division (Division). The Agency of Natural Resources has assigned to the Division the task of maintaining the official records for Agency lands. These records include the legal file and the summary record.

In accordance with 50 CFR § 80.18, the responsibility for maintaining adequate records for assets is with the State: "In the conduct of activities funded under the Acts, the State is responsible for: (c) The accountability and control of all assets to assure that they serve the purpose for which acquired throughout their useful life." The State of Vermont does not have any regulations or guidelines to assist program managers in the management of state lands.

We concluded that the Department has not exercised sufficient control over the documentation of the acquisition of lands to ensure that the Federal Assistance interest or State license fee interest is documented.

Recommendations

We recommend that FWS require the Department to:

1. Update the State Lands summary and legal records files to ensure that land transactions are properly recorded.
2. Modify the land management inventory and records system so that they identify those assets purchased with license revenues and Federal Assistance funds and that the percentage Federal Assistance interest in land is documented.

Department Response

The Department stated that the Department of Forests, Parks, and Recreation maintains land records. It concurred that the record-keeping system for land acquisitions needs substantive attention to ensure use and management compliance over time, in accordance with the stated purposes of acquisition. The Commissioner stated that "the Department will explore options for improving the current system, in terms of historical documentation as well as providing new recording procedures and guidance for future additions to the system. As an alternative, he said that the Department will also consider creating its own (i.e., Fish and Wildlife Department-specific) land ownership addendum that identifies funding sources."

Office of Inspector General Comments

Although the Department did not state whether it concurred with the finding and recommendations, we consider the Department's proposed actions, if implemented, to be appropriate to resolving the finding and implementing the recommendations. FWS should address the finding and recommendations in the corrective action plan.

F. License Certifications

The Department's license certifications for 2001 and 2002² included duplicate hunting and fishing license holders. In accordance with 50 CFR § 80.10 (c) (5), an individual shall not be counted more than once as a hunting or fishing license holder.

Department officials stated that the license procedures written as a result of the prior audit finding inadvertently did not get distributed to the employee responsible for computing the final certificate numbers. Even though the State received the minimum apportionment of grant funds, the calculation is based, in part, on the number of license holders. Therefore, accurate counts are necessary to ensure that each state receives its fair share of funds. For calendar year 2002 total individuals holding fishing and hunting licenses, resident and non-resident, were overstated by 1,974. For calendar year 2001 the overstated licenses due to reporting duplicates totaled 1,031.

Recommendation

We recommend that FWS ensure that the Department follows its procedures for the elimination of duplicate license holders.

Department Response

The Department stated that, as noted in the finding, this is a communications oversight. The response stated that procedures exist and appropriate staff now has access to them. This problem should not occur again.

Office of Inspector General Comments

Although the Department did not state that it concurred with the finding, we consider the Department's proposed action to be appropriate, if implemented, to resolve the finding and recommendation. FWS should address the finding and recommendation in the corrective action plan.

² License Certifications are received in the year following the year in which the licenses were sold. Accordingly, the two most recent years of license certifications that were available for review were 2001 and 2002.

G. Land and Water Conservation Funds

The Department maintained approximately 313 Management Units (access areas, fish culture stations, pond sites, stream banks, and wildlife management areas) partly with Federal Assistance funds during SFYs 2002 and 2003. However, 15 properties within these units were purchased with Land and Water Conservation funds, which made them ineligible to receive Federal Assistance funds for their operation and maintenance.

The 15 properties were maintained either under Grants F-18-D-21 and F-18-D-22, or W-46-D-21 and W-46-D-22. They were acquired with Land and Water Conservation funds by the Department between the years 1966 and 1969.

Chapter 522 FW 7.5B of the Service Manual states that Federal Assistance funds cannot be used to operate or maintain properties or facilities purchased or constructed under the Land and Water Conservation Fund Act (16 U.S.C. 4601-8). Section 6(f)(1) of the Land and Water Conservation Fund Act of 1965 requires States to operate and maintain by acceptable standards, at State expense, the particular properties or facilities acquired or developed for public outdoor recreation use. Chapter 660.2 of the National Park Service's L&WCF Grants Manual requires applicants for assistance to submit a signed and dated project boundary map that clearly delineates the area to be included in the project. Generally, the area will be the entire park, open space, or recreation area being developed to which the Land and Water Fund property is being added. Areas to be excluded should also be identified.

When we notified Department officials of this issue, they stated that they were aware that Land and Water conservation funds had been used to purchase some lands, but the associated maintenance charges to Federal Assistance grants were considered relatively small compared to the total State lands and sites maintained.

We concluded that Federal Assistance funds had been used for the operation and maintenance of properties purchased with Land and Water Conservation funds. We believe that the restricted areas should be defined by the Land and Water Conservation Fund project agreements approved by the National Park Service or its predecessor, the Heritage, Conservation, and Recreation Service, and the NPS L&WCF Grants Manual, which requires that the project area be delineated by a project boundary map.

Because of the condition of the Department's land records (see Finding E above) we were unable to identify project areas or quantify an amount of Federal Assistance maintenance costs associated with the 15 properties acquired with Land and Water Conservation funds.

Recommendations

We recommend that FWS:

1. Request an opinion from the Solicitor about whether the prohibition against using Federal Assistance funds for operation and maintenance, as contained in the Land and Water Conservation Act and its implementing regulations, applies to entire project

areas or is limited to the properties acquired with Land and Water Conservation funds.

Based on the Solicitor's opinion,

2. Resolve the issue of Federal Assistance funds used during SFYs 2002 and 2003 to operate and maintain the 15 properties acquired with Land and Water Conservation funds.
3. If necessary, require the Department to locate Land and Water Conservation project agreements and project boundary maps.
4. Assist the Department in developing a methodology to discontinue using Federal Assistance funds in the future to operate and maintain project lands acquired with Land and Water Conservation funds.
5. If necessary, change its Service Manual to state that Federal Assistance grant funds cannot be used to operate and maintain Land and Water Conservation project areas as defined in the Land and Water Conservation Act project agreements or project boundary maps.

Department Response

The Commissioner stated, "We were unaware of the LWCF restrictions. We will await additional guidance from the USFWS prior to taking any additional action."

Office of Inspector General Comments

The Department did not indicate whether it concurred with the finding and recommendations. FWS should address the finding and recommendations in the corrective action plan.

**VERMONT AGENCY OF NATURAL RESOURCES
DEPARTMENT OF FISH AND WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Claimed Costs*	Questioned Costs**	
			Total	Federal Share
F-18-D-21	340,000	255,000		
F-18-D-22	530,000	397,500		
F-19-E-13	132,861	99,646		
F-19-E-14	132,861	99,646		
F-22-D-40	130,000	87,101		
F-22-D-42	18,085	0		
F-22-D-43	33,064	0		
F-22-D-44	20,200	0		
F-22-D-45	55,108	0		
F-22-D-46	249,944	0		
F-22-D-47	19,205	0		
F-23-R-12	60,000	45,000		
F-31-D-11	1,840,813	1,380,610		
F-31-D-12	2,287,295	1,372,377		
F-34-R-4	92,000	69,000		
F-34-R-5	92,000	69,000		
F-35-R-4	340,000	192,210		
F-35-R-5	409,600	250,000		
F-36-R-4	564,000	394,282		
F-36-R-5	564,000	400,000		
F-100-R-18	5,000	3,679		
F-100-R-19	5,000	3,750		
F-100-R-20	5,000	3,750		
FW-17-T-28	357,000	226,534		
FW-17-T-29	382,000	260,313		

*The amount includes the Department recorded amounts during the audit period including indirect costs.

**The questioned costs for Grant W-46-D-22 are for unsupported transfers to the Department of Forests, Parks and Recreation. See finding A.

Appendix 1

Grant Number	Grant Amount	Claimed Costs*	Questioned Costs**	
			Total	Federal Share
FW-19-C-11	40,000	30,000		
FW-19-C-12	41,000	30,750		
W-33-R-40	75,168	44,408		
W-33-R-41	71,542	53,657		
W-34-R-39	147,000	110,250		
W-34-R-40	153,000	114,750		
W-35-R-34	6,500	4,875		
W-35-R-35	6,500	4,875		
W-35-R-36	6,500	4,875		
W-37-R-34	25,000	18,750		
W-37-R-35	29,000	21,750		
W-38-R-34	72,000	20,720		
W-38-R-35	72,000	16,151		
W-41-S-31	486,033	344,620		
W-41-S-32	486,033	324,153		
W-45-R-22	67,090	50,318		
W-45-R-23	75,000	46,834		
W-46-D-21	402,025	294,504		
W-46-D-22	407,500	304,679	\$29,120	\$21,840
W-47-R-9	44,500	33,030		
W-47-R-10	44,500	33,375		
W-51-R-1	41,000	18,852		
W-56-L-1	226,000	167,000		
	\$11,689,927	\$7,702,574	\$29,120	\$21,840

*The amount includes the Department recorded amounts during the audit period including indirect costs.

**The questioned costs for Grant W-46-D-22 are for unsupported transfers to the Department of Forests, Parks and Recreation. See finding A.

**VERMONT DEPARTMENT OF FISH AND WILDLIFE
SITES VISITED**

District Offices: Pittsford
Barre
Essex Junction
St. Johnsbury

Wildlife Management Areas (WMA):

Bird Mountain WMA Mud Creek WMA
Buck Lake WMA Maquam Bay WMA
Fairfield Swamp WMA Wenlock WMA
Sand Bar WMA

Hatchery:

Ed Weed Fish Culture Station and the Gordon House at the Ed
Weed Fish Culture Station

Fishing Access Areas:

Van Everett access
Vantines access
King Bay access
Pelots Bay access
North Hero access
Stoney Point access
Horican access
Dillenbeck Bay access
West Swanton access
South Bay access
Big Salem Pond access
Little Salem Pond access
Pensioners Pond access
Clyde River access
Greenwood Lake access
Island Pond access

State Police Dispatch:

St. Albans

STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendation	Status	Action Required
A.1,A.2, B.1,B.2,B.3, C, D, E.1,E.2, F, G.1,G.2,G.3,G.4,G.5	Finding Unresolved and Recommendations Unimplemented	Provide a response to each finding and recommendation that states concurrence or non-concurrence. Provide a corrective action plan that includes the target date and the official responsible for implementation of the recommendation or an alternative solution. Unresolved findings and unimplemented recommendations remaining at the end of 90 days (after December 16, 2004) will be referred to the Assistant Secretary of PMB for resolution and/or tracking of implementation.

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By Mail:

U.S. Department of the Interior
Office of Inspector General
Mail Stop 5341 MIB
1849 C Street, NW
Washington, D.C. 20240

By Phone:

24-Hour Toll Free 800-424-5081
Washington Metro Area 202-208-5300

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202-208-6081

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