



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 Arkansas, Game and Fish Commission,
from July 1, 2010, Through June 30, 2012



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

NOV 06 2013

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Hannibal M. Ware *H. Ware*
Eastern Regional Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of Arkansas, Game and Fish
Commission, From July 1, 2010, Through June 30, 2012
Report No. R-GR-FWS-0008-2013

This report presents the results of our audit of costs claimed by the State of Arkansas, Game and Fish Commission (Commission), 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 audit included claims totaling \$44.7 million on 86 grants that were open during the State fiscal years that ended June 30, 2011, and June 30, 2012 (see Appendix 1). The audit also covered the Commission'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 Commission complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$797,484, however, due to the inconsistent treatment of leave charges to selected Program grants that had unexpended Federal funding and because of ineligible and unsupported grant expenditures.

We provided a draft report to FWS for a response. In this report, we summarize the Commission and FWS Region 4 responses, as well as our comments on the responses. Appendix 3 lists the status of the recommendations.

Please provide us with a corrective action plan based on our recommendations by February 4, 2014. The plan should include information on actions you and the Commission have taken or are planning to take to address the recommendations, the target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Commission.

Please address your response to:

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The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please contact the audit team leader, Peter Rich, at 703-487-8021, or me at 703-487-8058.

cc: Regional Director, Region 4, 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 (Acts)¹ established the Wildlife and Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Service (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 States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Arkansas Game and Fish Commission (Commission)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and 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 \$44.7 million on the 86 grants open during the State fiscal years (SFYs) that ended June 30, 2011, and June 30, 2012 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Commission headquarters in Little Rock, AR, and visited four regional offices, four wildlife management areas, and six other locations (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 conducted this audit in accordance with Generally Accepted Government Auditing Standards. 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 believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Commission;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Commission employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Commission used hunting and fishing license revenues solely for the administration of fish and wildlife program activities; 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 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 Commission's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Commission employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On August 5, 2009, we issued "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Arkansas, Game and Fish Commission, From July 1, 2005, Through June 30, 2007" (Report No. R-GR-FWS-0012-2008). We followed up on all four recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB), considered the four recommendations resolved and implemented.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. None of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Commission complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings, including questioned costs totaling \$797,484.

- A. Annual Leave Costs.** The Commission inconsistently applied leave charges to selected Program grants that had unexpended Federal funding. The Commission charged a 14 percent rate for paid employee leave to recover all of the Federal funds on six grants.
- B. Questioned Other Direct Costs.** The Commission improperly charged the same expenditure to one Program grant and one non-Program grant. The Commission also charged Program grants for unrelated expenditures and did not maintain adequate documentation to support expenditures charged to Program grants.

Findings and Recommendations

A. Annual Leave Costs—\$676,698

The Commission uses game protection funds to pay for annual leave for its employees. While the Code of Federal Regulations (C.F.R.) allows the cost of employee benefits to be allocated to Federal awards, the allocation must be done in a manner consistent with the pattern of benefits attributable to employee benefits charged to other similar Federal awards. The Commission selectively charged Program grants a 14 percent rate for paid employee leave in order to recover all of the Federal funds under those grants. The rate was selectively applied to payroll costs in SFYs 2011 and 2012 on six Program grants that had unexpended Federal funding (see Figure 1).

Grant	Amount Charged	Questioned Federal Share
F-62-18	\$25,819	\$19,364
FW-1-55	31,218	23,414
FW-6-36	45,107	33,830
FW-6-37	32,973	24,729
W-64-41	759,867	569,901
W-69-35	7,280	5,460
Totals	\$902,264	\$676,698

Figure 1. Costs associated with the six grants to which the 14 percent rate was applied.

According to 2 C.F.R. § 225, Appendix B, 8.d(5), the cost of employee benefits shall be allocated to Federal awards in a manner consistent with the pattern of benefits attributable to employee benefits charged to other similar Federal awards. In addition, according to 2 C.F.R. § 225, Appendix B, 8.d(3), when the cash basis of accounting is used by an entity, leave is to be recognized in the period that the leave is taken and paid for.

Commission officials indicated that the 14 percent rate was developed by a prior assistant fiscal chief using actual data from SFY 2008. The inconsistent treatment and inequitable distribution of paid leave expenditures based on historical data could result in an overcharge to grants. According to a Commission official, the Commission stopped using the 14 percent rate in SFY 2013.

Recommendation

We recommend that FWS work with the Commission to resolve the \$676,698 in questioned costs.

Commission Response

Commission officials concurred with the finding and recommendation.

FWS Response

FWS regional officials concurred with the finding and recommendation and will work with the Commission to gather additional information from the State to address the questioned costs in a corrective action plan.

OIG Comments

We consider the recommendation resolved but not implemented.

B. Questioned Other Direct Costs—\$120,786

To be eligible for reimbursement under the Program, grant expenses must be reasonable, allowable, allocable, and adequately supported. The Commission improperly charged the same expenditure to one Program grant and one non-Program grant and charged Program grants for unrelated expenditures. In addition, the Commission did not maintain adequate documentation to support expenditures charged to Program grants.

We found the following:

- **Wildlife Operation and Maintenance Grants:**
 - Grant W-64-41 was incorrectly charged \$32,246 (Federal share, \$24,185) for leased-land costs and travel costs for an employee to attend a wildlife-banding project in Canada.

- Grant W-64-42 was charged \$28,148 (Federal share, \$21,111) for bird-monitoring and leased-land costs. The bird-monitoring expenditures were also charged to a non-Program grant. The leased-land costs are ineligible under this grant.
- Grant W-64-43 was incorrectly charged \$21,025 (Federal share, \$15,769) for—
 - bush-hogging work that was not performed in accordance with the terms of the sole-source contract;
 - an ineligible flowage easement; and
 - unsupported verbal quotes for work under \$5,000.
- Hunter Safety Grants:
 - The Commission charged grants W-1-39 and W-1-40 \$9,000 (Federal share \$6,750) for freight charges but was unable to provide supporting documentation for these costs.
 - Grants W-1-40 and W-1-41 were improperly charged \$16,694 (Federal share, \$12,520) for costs related to the youth shooting program and repairs to a damaged rental space.
- Aquatic Resources Education Grants F-66-10 and F-66-11 were charged ineligible expenses of \$11,208 (Federal share, \$8,406) for trout-fishing advertising.
- Fish Stocking and Production Grant F-43-26 was improperly charged \$7,000 (Federal share, \$5,250) for a largemouth bass study that should have been charged to another grant. The Commission was also unable to provide support for an invoice of \$6,800 (Federal share, \$5,100).
- Fisheries Management Grants:
 - Grant F-42-26 was incorrectly charged \$3,900 (Federal share, \$2,925) for an archeological survey.
 - Grant F-42-27 was incorrectly charged \$4,350 (Federal share, \$3,263) for copier services used by the entire office and for trout-fishing advertising.
- Acres for Wildlife Grants:
 - Grant W-69-36 was incorrectly charged \$2,550 (Federal share, \$1,913) for a postage meter used by the entire office and not specifically related to the grant.
 - Grant W-69-37 was improperly charged \$1,927 (Federal share, \$1,445) for meals for a quarterly staff meeting.
- North Fork of White River Bank Stabilization and Habitat Improvement Grant F-169 was incorrectly charged \$2,000 (Federal share, \$1,500) for equipment repair that was not eligible under the grant.
- Sleepy Hollow Access Grant F-160-B was charged \$8,500 (Federal share, \$6,375), but the Commission was unable to provide supporting documentation for the invoice.
- Lake and Access Areas Facilities Maintenance and Operation Grant F-65-12 was charged \$5,700 (Federal share, \$4,275) based on verbal quotes for work under \$5,000, but the Commission could not provide supporting documentation for the invoices.

The Code of Federal Regulations (50 C.F.R. § 80.15) states that allowable costs are limited to those that are necessary and reasonable for accomplishing approved project purposes and that comply with the cost principles of Office of Management and Budget Circular A-87 (recently codified as 2 C.F.R. § 225). It also states that all costs must be supported and substantiated by source documents or other records.

In addition, 2 C.F.R. § 225, Appendix A, Section C.3, specifies that a cost is allocable only if it provides a benefit to the grant. Appendix A, Sections E.1 and E.2b, define direct costs as those that can be identified specifically with a particular final cost objective. Typical direct costs chargeable to Federal awards include cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

The Code of Federal Regulations (43 C.F.R. § 12.60 (b)(2)) also requires grantees and sub-grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub-grant awards, including obligations, outlays, and expenditures. Furthermore, the accounting records must be supported by such source documentation as canceled checks and paid bills (43 C.F.R. § 12.60 (b)(6)).

These conditions occurred due to a significant turnover in the fiscal division staff, inadequate recordkeeping, changes to internal reporting systems, and a general lack of understanding of the Program as well as insufficient training to field managers.

We identified total questioned costs of \$161,048 (Federal share, \$120,786), including \$115,783 (Federal share, \$86,837) of ineligible costs and \$45,265 (Federal share, \$33,949) of unsupported costs charged to 16 grants during SFYs 2011 and 2012.

Recommendation

We recommend that FWS require the Commission to resolve the questioned ineligible and unsupported costs of \$120,786.

Commission Response

Commission officials generally concurred with the findings and recommendation. They did not concur, however, with the questioned costs associated with Grants F-66-10 and F-66-11.

FWS Response

FWS regional officials generally concurred with the findings and recommendation, with the exception of the costs associated with Grants F-66-10

and F-66-11. They will gather additional information from the Commission to address the questioned costs in the corrective action plan.

OIG Comments

We consider the recommendation unresolved.

Appendix I

State of Arkansas
Game and Fish Commission
Financial Summary of Review Coverage
July 1, 2010, Through June 30, 2012

Grant Number	Grant Amount	Claimed Costs	Ineligible Costs	Unsupported Costs
F-42-25	\$835,000	\$1,264,045		
F-42-26	815,000	1,174,144	\$2,925	
F-42-27	815,000	173,456	3,263	
F-43-25	4,000,000	4,014,114		
F-43-26	4,000,000	4,412,858	5,250	\$5,100
F-43-27	4,000,000	591,147		
F-62-18B	500,000	237,893	19,364	
F-62-19B	500,000	87,162		
F-62-20B	500,000	10,813		
F-65-12	1,066,667	1,149,171		4,275
F-65-13	1,066,667	1,032,081		
F-66-10	853,334	905,513	915	
F-66-11	890,000	719,949	7,491	
F-66-12	890,000	705,343		
F-76-8	350,000	413,488		
F-76-9	350,000	563,584		
F-105-7	14,000	14,000		
F-105-8	14,000	14,000		
F-106P-7	233,333	240,931		
F-106P-8	233,333	300,459		
F-119-DB-1B	17,000	20,827		
F-120-DB-1B	81,000	83,335		
F-123-DB-1B	130,000	53,843		
F-133-DB-1	55,000	65,549		
F-134-HP-1	240,000	136,986		
F-145-B1B	85,000	98,881		
F-146-B1B	87,000	81,891		
F-147-B1B	150,000	0		
F-148-B1B	45,000	33,832		
F-149-B1B	30,000	33,402		
F-150-B1B	90,000	74,592		
F-153-D	40,000	41,129		

Grant Number	Grant Amount	Claimed Costs	Ineligible Costs	Unsupported Costs
F-154-BIB	\$89,000	\$69,995		
F-156-B	68,000	72,392		
F-157-BIB	88,000	90,383		
F-158-B	48,000	50,737		
F-159-BIB	20,000	17,761		
F-160-BIJ	75,000	99,363		\$6,375
F-161-BIB	85,000	3,020		
F-162-BIB	85,000	460		
F-163BIB	250,000	0		
F-164D	191,850	140,157		
F-165B	30,000	33,369		
F-166B	32,000	53,604		
F-168BIB	60,000	41,682		
F-169HMIF	106,000	106,000	\$1,500	
F-171-B	85,000	0		
F-172-B	40,000	36,671		
F-173-B	32,000	0		
F-174-B	80,000	0		
F-175-B	158,000	0		
F-176-B	80,000	0		
F-177-RIF	280,000	44,794		
F-178-D-I	30,000	0		
F-179-D-I	150,000	0		
F-180-D-I	30,000	0		
F-181-D-I	81,000	0		
F-182-B	255,000	2,602		
F-183-B	213,333	0		
F-184-D-I	50,000	0		
FW-1-54	328,000	213,703		
FW-1-55	328,000	264,864	23,414	
FW-1-56	328,000	240,725		
FW-6-36	380,000	372,478	33,830	
FW-6-37	380,000	271,889	24,729	
FW-6-38	380,000	27,683		
W-1-39	823,517	961,062		3,750
W-1-40 H	823,517	1,089,116	8,965	3,000
W-1-41	823,517	0		3,555
W-64-41	8,816,333	9,132,997	594,086	
W-64-42	8,835,658	6,464,469	21,111	

Grant Number	Grant Amount	Claimed Costs	Ineligible Costs	Unsupported Costs
W-64-43	\$6,696,080	\$2,135,560	\$7,875	\$7,894
W-69-35	90,667	82,593	5,460	
W-69-36	90,667	110,816	1,913	
W-69-37	90,667	298	1,445	
W-89-7W	836,000	753,216		
W-89-8W	826,488	760,797		
W-97M-I	1,307,500	1,134,639		
W-100-D-I	154,999	185,027		
W-103-E	271,667	273,724		
W-105-R1W	330,000	284,868		
W-105-R2W	330,000	305,228		
W-106-DIW	57,412	60,893		
W-107-D-I	213,334	0		
W-108-T-I	400,000	0		
W-109-R-I	1,500,000	0		
Total	\$61,210,540	\$44,738,055	\$763,535	\$33,949

Appendix 2

State of Arkansas Game and Fish Commission Sites Visited

Headquarters

Little Rock

Regional Offices

Camden

Hope

Monticello

Russellville

Wildlife Management Areas

Bois d'Arc

Ed Gordon/Point Remove

Freddie Black/Choctaw Island – West Unit

Other

Andrew H. Hulsey Fish Hatchery

Harris Brake Lake

Paul H. “Rocky” Willmuth Sport Shooting Complex – Batesville

Robert Gray Miller Boat Access – Bethesda

Sleepy Hollow Boat Access

Witt Stephens Jr. Central Arkansas Nature Center

Appendix 3

**State of Arkansas
Game and Fish Commission
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A, B	<p>FWS management concurred with recommendations A and B, but additional information is needed.</p> <p>We consider recommendation A resolved but not implemented and recommendation B unresolved.</p>	<p>Based on FWS' response, the corrective action plan should include information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Commission.</p> <p>We will refer any recommendations that have not been resolved or implemented by February 4, 2014, to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

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