



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

## AUDIT FOLLOWUP REPORT

May 2001

Volume 1, Number 1



### HIGHLIGHTS

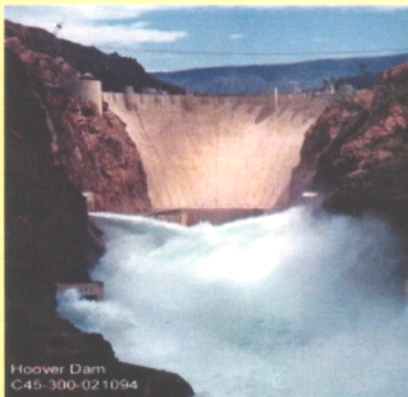
Creation of the Audit  
Followup Unit



Status of Audit Report  
Recommendations

Selected Reviews  
on Implemented  
Recommendations

- U.S. Fish and Wildlife Service
- National Park Service
- Bureau of Reclamation



Hoover Dam  
C45-300-021094

Report No. 01-I-357





# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

MAY 14 2001

## Memorandum

To: Secretary  
Office of the Solicitor  
Assistant Secretaries  
Bureau Heads

From: Earl E. Devaney  
Inspector General

Subject: Report on Followup of Implementation of Audit Recommendations (No. 01-I-357)

This report is the first in a planned series of reports on the Department of the Interior's (DOI) implementation of recommendations contained in our audit and evaluation reports. The report is a product of our Audit Followup Unit, which we established in August 2000 to monitor the status of individual audit recommendations and to review the corrective actions at a time closely related to the effective date of implementation.

In creating the Followup Unit, we hope to meet our Annual Performance Plan goal, under the Government Performance and Results Act, of helping DOI to identify, eliminate, and prevent operational and management weaknesses. We hope to achieve this objective by verifying and coordinating program implementation of audit and investigative recommendations and by resolving issues related to the most serious operational and management weaknesses.

We hope you find this report informative and useful. If it serves its intended purpose, it will assist you in your efforts to ensure that appropriate actions have been taken to improve operations and to address program deficiencies.

If you have any questions on the content or purpose of this report, please contact me at (202) 208-5745.

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

**WHY WE  
ESTABLISHED  
AN AUDIT  
FOLLOWUP  
UNIT**

Following up on audit recommendations is a responsibility assigned to heads of all executive departments, according to Office of Management and Budget Circular No. A-50, "Audit Followup." The Circular states that agencies should "assign a high priority to the resolution of audit recommendations and to corrective

actions" and emphasizes "the importance of monitoring the implementation of resolved audit recommendations in order to assure that promised corrective action is actually taken."

The Office of Inspector General (OIG) established the Audit Followup Unit in August 2000 to facilitate and expedite the implementation of audit report recommendations. The Followup Unit, by providing information on the status of audit report recommendations that are scheduled for implementation, intends to promote timely implementation of actions that improve the efficiency and effectiveness of Government operations; deter waste, fraud, and abuse; ensure compliance with laws and regulations; and foster innovative approaches to the delivery of governmental services.

## **HOW WE FOLLOW UP ON AUDIT RECOMMENDATIONS**

Audit recommendations typically are classified as implemented if corrective actions have been taken; unimplemented if agreed-upon corrective actions have not been taken or have not been completed; or unresolved if OIG

and the audit client do not agree on the need for or the method of correcting a reported deficiency.

After audit reports are issued, recommendations that are unimplemented or unresolved are referred to the Department of the Interior's (DOI) Management Accountability and Control Division, under the Office of the Assistant Secretary for Policy, Management and Budget (PMB), for tracking of implementation and/or for resolution. The Division maintains information on the status of audit report recommendations, determines whether DOI or its bureaus have implemented corrective actions, and resolves disputed recommendations.

### **THEN . . .**

Before creation of the Followup Unit, OIG did not obtain information on the status of implementing actions until after PMB "closed out" all recommendations in an audit report. Although OIG occasionally performed followup audits after report closure to determine whether adequate and appropriate remedial actions had been taken, these audits often were not conducted for years after the first recommendations had been implemented. Because a significant amount of time usually elapsed between final report issuance and closeout of all recommendations, deficiencies identified in followup audits, such as lost revenues or noncompliance with laws and regulations, remained undetected and uncorrected for many years when implementing actions were not taken or were ineffective.

### **AND NOW . . .**

With establishment of the Followup Unit, OIG receives information from PMB on the implementation of individual audit recommendations shortly after PMB determines that the recommendations have been implemented. The Unit has developed a database of audit recommendations to track the planned date of implementing corrective actions, the actual date of implementing actions, and the status of unresolved recommendations. Using PMB's data and accessing its own database, the Unit selects recommendations for review that were classified as implemented during the reporting period and reviews the implementation of individual recommendations on a near real-time basis. After completing the reviews, the Unit informs PMB, the Assistant Secretaries, and bureau heads of its

results. If applicable, the Unit requests PMB to reinstate recommendations as unimplemented and discusses with responsible bureau officials its concerns about implementing actions. Periodically, the Unit will issue reports, such as this one, to provide information on the status of implementing actions.

## WHAT INFORMATION WE REPORT

This report provides information on recommendations that were scheduled for implementation during the period July 1 through December 31, 2000;

recommendations that were implemented during this period (regardless of the scheduled implementation date); and the results of our limited reviews of selected recommendations that were reported as having been implemented during the reporting period. We selected for review recommendations that were contained in our performance audit reports, excluding recommendations in territorial audit reports that were not referred to PMB for resolution or tracking of implementation.

### Profile of Audit Recommendations for the Period July 1 through December 31, 2000

| <u>Bureau</u>   | <u>Recommendations<br/>Scheduled for<br/>Implementation<br/>Before or During<br/>Reporting Period</u> | <u>Recommendations<br/>Implemented<br/>During<br/>Reporting Period</u> |
|---|---|--|
| Bureau of Reclamation                                   | 37  | 13   |
| Bureau of Land Management                               | 30  | 6  |
| Bureau of Indian Affairs                                | 23  | 2  |
| National Park Service                                   | 16  | 8  |
| U.S. Fish and Wildlife Service                          | 16  | 3  |
| U.S. Geological Survey                                  | 3   | 1  |
| Minerals Management Service                             | 3   | 0  |
| Office of Surface Mining<br>Reclamation and Enforcement | 1   | 0  |
| Office of the Secretary                                 | 22  | 3  |
| Multi-Office  | <u>10</u>   | <u>0</u>   |
| Totals  | <u>161</u>  | <u>36</u>  |

## **Status of Implementation**

The chart “Status of Recommendations” (page 5) illustrates the recommendations implemented and pending implementation during the period July 1 through December 31, 2000. There were 36 total recommendations reported by PMB as implemented for this period. As indicated in the chart, the recommendations reported as implemented consisted of the following:

- (A) 22 of 143 recommendations that were pending implementation as of June 30, 2000.
- (B) 6 of 18 recommendations that were due for implementation during the period July 1 through December 31, 2000.
- (C) 6 recommendations for which no target dates were established.
- (D) 2 recommendations that were not due for implementation until after December 31, 2000.

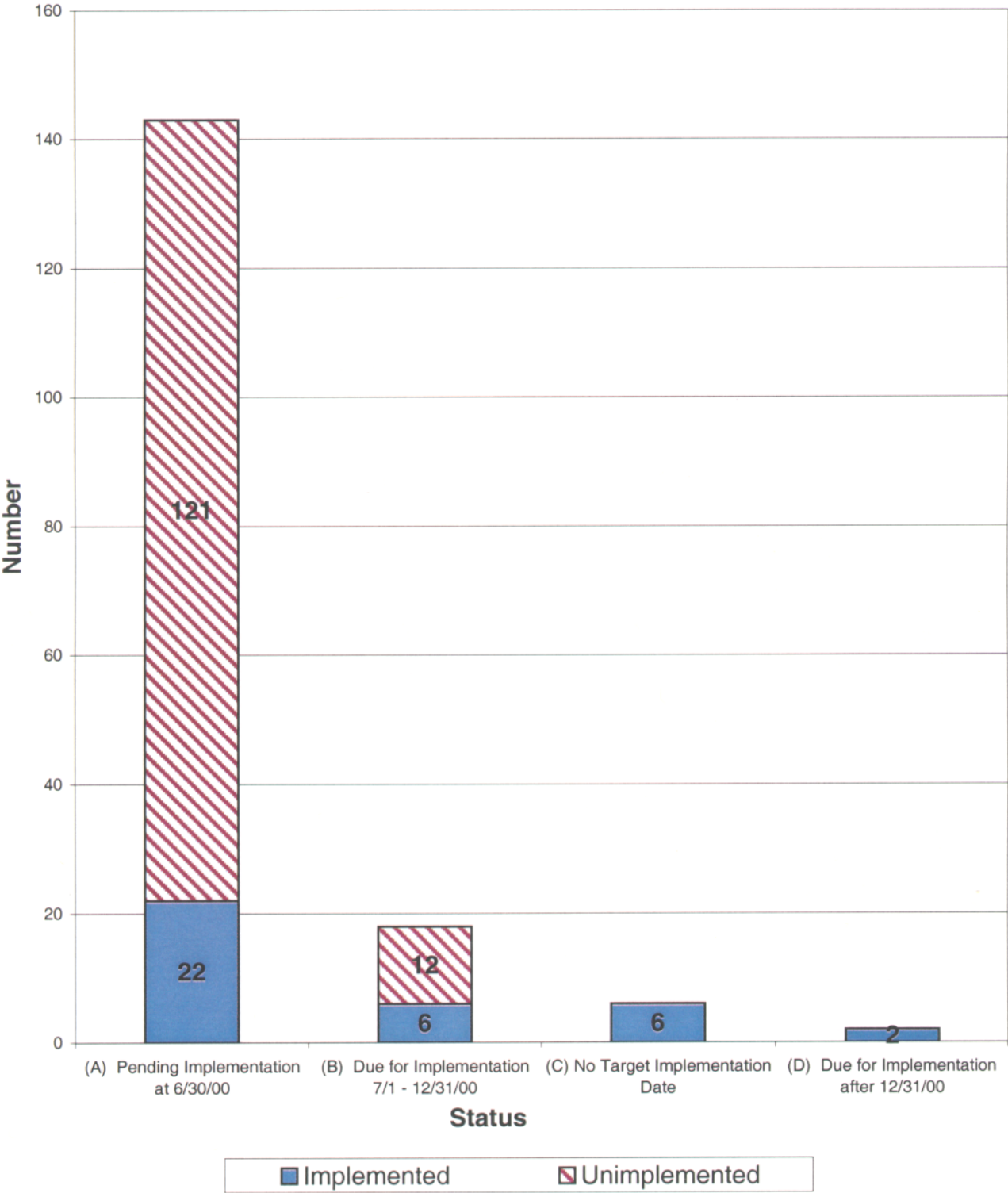
Of the 22 recommendations pending implementation, the average number of days between the initial target date for implementation and the actual implementation date was 658 days. As of December 31, 2000, another 12 recommendations were resolved but had no target date for implementation of corrective action, and 19 recommendations were unresolved.

## **Review Method and Sample Selection**

In performing followup reviews, we contacted responsible DOI and bureau program officials and the auditors and audit managers who conducted the audit fieldwork and prepared the audit report. Our limited review consisted of interviewing these officials and examining records, reports, and other documentation that we considered necessary to determine whether the implementing actions were responsive to the audit recommendation. Because we reviewed individual recommendations and not all recommendations applicable to a particular finding, we cannot state with certainty that the implementing action will correct the underlying deficiency. For those recommendations that we consider to be unimplemented, not fully implemented, or not effectively implemented, we may schedule full-scale followup audits to more comprehensively evaluate the actions needed to correct operational deficiencies.

Of the 36 recommendations that were classified by PMB as implemented during the period July 1 through December 31, 2000, we reviewed the implementing actions pertaining to 7 recommendations. We selected items for review on a judgmental basis.

# Status of Recommendations



## **FOLLOWUP REVIEW RESULTS**

.. **Audit Summary:** “Administration of Grants Awarded Under the North American Wetlands Conservation Act, U.S. Fish and Wildlife Service” (No. 97-I-1112), dated August 1997. The audit objective was to determine

whether the U.S. Fish and Wildlife Service (FWS) administered grant awards effectively and in compliance with laws, regulations, and FWS policies.

The subject audit pertained to the administration of grants that FWS was authorized to award under the North American Wetlands Conservation Act. Conservation Act grants, awarded to partner organizations, provided for the organizations to conduct wetlands conservation projects. The Act, grant agreements, and Federal regulations and policies governed grant cost-sharing arrangements, the types of project costs that could be charged to grants and reimbursed by the Government, and the administrative provisions for reporting project activity and processing grant reimbursement requests.

**Recommendation A.2** Analyze the grants covered by the review in which auditors questioned costs that were reimbursed or credited to grantees and resolve improper reimbursements or claimed contributions as appropriate. The target date for implementation was June 30, 1998.

In the report, auditors stated that costs of about \$607,000 may have been inappropriately reimbursed and questioned additional costs of about \$406,000 that were credited to grantees as their project contributions.

According to PMB, this recommendation was implemented by September 30, 2000.

**Review Results.** For our followup review, we obtained a schedule prepared by the Chief, Division of Bird Habitat Conservation, which described FWS’s analysis of questioned grant costs. From the schedule, we selected for review 5 of 12 audited grants with questioned costs of \$862,084. FWS provided documentation to show that questioned costs of \$292,171 were reimbursed or credited as appropriate. FWS also justified the remaining costs of \$569,913 as (1) an “allowable budget change” under provisions of Part 43 of the Code of Federal Regulations (43 CFR 12.70) or (2) “budgeted ‘contract’ costs.”

We disagree with FWS regarding the appropriateness of its disposition of the remaining questioned costs. We found that although 43 CFR 12.70 allows grantees to make program changes to the approved project, it requires the prior written approval of the awarding agency “whenever the awarding agency’s share [of costs] exceeds \$100,000” and the charges exceed 10 percent of the budget. The costs we continue to question relate to grants that had more than \$100,000 of federal funding and rebudgeted costs of more than 10 percent of the approved



budget. For these budget changes, the grantee did not request and FWS did not offer prior approval. Also, we do not consider the reimbursed overhead cost to be “budgeted ‘contract’ costs.” For this expense, reimbursement was paid to an organization that performed work under a cooperative agreement, despite a provision in the grant proposal that stated that the work would be performed under a competitively awarded contract. Although we differ with FWS on the appropriateness of its disposition of questioned grant costs, we consider the recommendation implemented because FWS did conduct the recommended analytical review to resolve the questioned reimbursements and credits. Nonetheless, based on issues raised in our limited followup review about the appropriateness of certain costs, we may conduct a future audit of grants awarded under the North American Wetlands Conservation Act.

**“ Evaluation Summary: “Selected Management Activities at Manassas National Battlefield Park, National Park Service”** (No. 98-I-686), dated September 1998. The objective of this evaluation was to determine whether the National Park Service (NPS) took actions to improve safety at an intersection (Routes U.S. 29 and VA 234) within the Park and executed land use practices that were in accordance with applicable requirements.

This evaluation was conducted in response to a request from a Congressman who was concerned about unsafe traffic conditions within the Park.

**Recommendation A.1.** Ensure that funds needed for the study are requested and that Park officials conduct the study required by Public Law 100-647 to identify ways to close Routes U.S. 29 and VA 234. The target date for implementation was September 30, 2000.

The Assistant Secretary for Fish and Wildlife and Parks, in a December 1998 letter to OIG, said that NPS had obtained funding to complete a study for relocating commuter traffic outside the Park.

According to PMB, NPS implemented this recommendation on September 30, 2000.

**Review Results.** In our followup review, we contacted the Park superintendent, who was designated as the official responsible for implementation, and requested a copy of the study. The superintendent said that NPS currently “was negotiating the final price for the study” and that the study “probably” would not be completed until 2003.

Based on the Park superintendent’s statement, we considered the recommendation not to be fully implemented. After notifying PMB and NPS of our conclusion regarding implementation, an NPS official contacted PMB and stated that NPS was “only the requestor of the study” and “by requesting the Congress to fund the study, . . . NPS has fulfilled its obligation to implement [the recommendation].”

We found, however, that NPS was responsible for conducting the study. In a Memorandum of Agreement with the Federal Highway Administration and the Virginia Department of Transportation, NPS and the Highway Administration agreed to “function as joint-lead agencies” for the safety improvement project. Also, Public Law 100-647 assigned DOI (and, by delegation, to NPS) responsibility for conducting the study “in consultation and consensus” with Virginia and Federal highway officials. Because NPS is responsible for the study, which has not been initiated, we have requested that PMB reinstate the recommendation as unimplemented.

**Recommendation A.2.** Ensure that the Park Superintendent works with the Commonwealth of Virginia’s Department of Transportation to determine a mutually acceptable approach to improve safety at the intersection of Routes U.S. 29 and VA 234. Implementation was scheduled for September 30, 2000.

The Assistant Secretary for Fish and Wildlife and Parks said that NPS had reached a tentative agreement with Virginia highway officials on an “interim solution” to improve road safety at the intersection. He also said that the Virginia Department of Transportation would “be a full partner,” working with NPS to develop an alternative route that would “move commuter traffic out of the park.”

According to PMB, NPS implemented this recommendation on September 30, 2000.

**Review Results.** Following up on this recommendation, we reviewed documentation submitted to PMB by NPS. The documentation included an agreement between the Federal Highway Administration, NPS, and the Virginia Department of Transportation for the design and construction of safety improvements at the intersection of Routes U.S. 29 and VA 234. The agreement, which specified the responsibilities of all parties, terms for the disbursement of funds, and administrative conditions and identified key project contacts, was ratified by April 1999.

Based on the documentation (the agreement between NPS, Virginia highway officials, and Federal highway officials), we consider the recommendation implemented as of April 1999, 5 months earlier than the scheduled implementation date.

**Audit Summary: “Deferred Maintenance, National Park Service”** (No. 99-I-959), dated September 1999. The objective of the audit was to determine whether actions were needed to ensure that NPS’s deferred maintenance accounting and budgetary information was current, complete, and verifiable.

This audit evaluated NPS’s fiscal year 1998 estimated deferred maintenance costs. Of estimated fiscal year 1998 deferred maintenance costs of \$3.6 billion,

auditors reviewed costs of \$185.5 million. Auditors found that NPS's deferred maintenance cost estimates were not developed in accordance with Federal accounting standards and DOI guidance because NPS had not conducted all needed condition assessments of its assets, documented its estimated deferred maintenance costs, or established adequate controls to ensure the completeness and reliability of its deferred maintenance data.

**Recommendation A.1.** Establish a plan for the timely completion of condition assessments on all NPS assets subject to deferred maintenance reporting. The plan should establish a standard set of criteria for evaluating asset condition and require maintenance of documentation on the assessments. The target date for implementation ranged from April 30, 2000 for highway assets to September 30, 2002 for employee housing assets.

According to PMB, NPS implemented this recommendation as of September 30, 2000.

**Review Results.** We reviewed NPS's "Asset Management Plan," which was submitted to PMB as documentation of corrective action implementation. The Plan provided guidance on inventorying park facilities, defined "mission critical" as a category of assets for which condition assessments were required, and established target dates for completing condition assessments. This guidance, in our opinion, implemented the first part of our recommendation. However, the Plan did not establish a uniform set of criteria for evaluating asset condition (such as determining poor, fair, and good condition) and did not require maintenance of documentation on condition assessments, although it did establish a series of goals for accomplishing these tasks.

Because NPS did not establish a standard set of criteria for evaluating asset condition and did not require maintenance of documentation on condition assessments, we consider Recommendation A.1 not fully implemented. We notified PMB and NPS that the recommendation, in our opinion, should be reinstated as unimplemented.

**Recommendation A.2.** Require qualified NPS personnel to prepare documentation to support deferred maintenance cost estimates that includes details on the material, labor, and overhead costs needed to complete the projects; the bases for these costs; and the method used in arriving at the estimated costs. The target date for implementation ranged from August 1, 2000 for Project Management Information System (PMIS) assets to December 31, 2000 for highway assets.

According to PMB, NPS implemented this recommendation as of September 30, 2000.

**Review Results.** To document implementation of this recommendation, NPS prepared a memorandum, “Deferred Maintenance Reporting Requirements (FASAB #6),” which provided “direction and guidance” to NPS regional directors on developing deferred maintenance cost estimates. The memorandum stated that NPS would “at least” prepare “a conceptual cost estimate based on square foot costs of similar work or identifiable unit costs of similar work.” The memorandum also directed regional managers to include support documentation of cost estimates in its PMIS project statement but did not require support documentation on cost estimates for deferred maintenance assets such as dams, bridges, roads, and employee housing, which are not recorded in PMIS.

Because DOI has assigned a high priority to the funding of NPS’s deferred maintenance and the Office of Management and Budget has requested audit coverage of this subject, OIG will conduct a separate and comprehensive review of NPS’s deferred maintenance program. As part of the review, we will determine whether regional directors implemented the Reporting Requirements guidance applicable to projects recorded in PMIS and also to projects included in NPS’s separate databases for its employee housing, roads and bridges, and dams deferred maintenance projects.

**“ Audit Summary: “Followup Review of Selected Recommendations in Audit Report ‘Followup of Recommendations Concerning Repayment of Municipal and Industrial Water Supply Investment Costs, Bureau of Reclamation’”** (No. 00-I-270), dated March 2000. The objective of the audit was to determine whether the Bureau of Reclamation (BOR) had taken sufficient actions to implement the recommendations made in an August 1992 audit report (No. 92-I-1128).

This audit followed up on the 1992 audit report that found that BOR was not fully recovering the Government’s costs of financing municipal and industrial water supply facilities that were originally constructed to supply water for irrigation purposes. The followup audit found that BOR had not taken sufficient action to recover costs. Auditors concluded that BOR should develop procedures or conduct reviews to ensure that changes in water use are identified and measures taken to ensure that water is used in accordance with contract provisions.

**Recommendation A.1.** Establish uniform and consistent control procedures that require periodic reviews of annual project water use to ensure that the quantity delivered and used is in conformance with the water contracts. These procedures should include provisions to collect and verify annual water use data, determine whether the use of the water is in accordance with contract terms, and maintain documentation of the verifications performed and the determinations made. The target date for implementation was September 30, 2000.

According to PMB, BOR implemented this recommendation as of September 30, 2000.

**Review Results.** We reviewed documentation that BOR submitted to PMB as support for BOR's implementation of this recommendation. The documentation consisted of the September 2000 memorandum "Periodic Review of Water Deliveries with Respect to Contract Terms" and the "Checklist for Review and Verification of Contractor Water Use." Because BOR developed procedures that provided for the collection and verification of annual water use and for periodic reviews to document water use, we consider this recommendation implemented.

**Recommendation A.3.** Until Recommendation A.1 is fully implemented, report BOR's lack of adequate procedures to identify water conversions in BOR's annual assurance statement on management controls as a material weakness under the Federal Managers' Financial Integrity Act. The target date for implementation was September 30, 2000.

According to PMB, BOR implemented this recommendation as of September 30, 2000.

**Review Results.** We obtained documentation that was prepared after the recommendation was reported as implemented, including copies of periodic reviews that showed that BOR applied the procedures in Recommendation A.1 for collecting and verifying water use data. These reviews, which BOR conducted at four projects, monitored water use and compliance with contract provisions. Because BOR, by conducting the reviews, implemented Recommendation A.1, we consider Recommendation A.3 implemented. However, because water use conversions and compensation for conversions are complex issues, we plan to assess, on a selected basis, BOR reviews of annual project water use to determine whether the application of the procedures has corrected the underlying problem.

The results of our reviews are summarized in the Appendix.



## STATUS OF REVIEW RESULTS

---

| <u>Report/Recommendation</u>   | <u>Results</u>  |
|--|---|
| Administration of Grants Awarded Under the North American Wetlands Conservation Act, U.S. Fish and Wildlife Service (No. 97-I-1112)  |   |
| A.2  | Implemented   |
| Selected Management Activities at Manassas National Battlefield Park, National Park Service (No. 98-I-686)   |   |
| A.1  | Unimplemented   |
| A.2  | Implemented   |
| Deferred Maintenance, National Park Service (No. 99-I-959)   |   |
| A.1  | Unimplemented   |
| Followup Review of Selected Recommendations in Audit Report "Followup of Recommendations Concerning Repayment of Municipal And Industrial Water Supply Investment Costs, Bureau of Reclamation" (No. 00-I-270) |   |
| A.1  | Implemented   |
| A.3  | Implemented<br>(Audit planned to evaluate the adequacy of controls over water use conversions.) |

**ILLEGAL OR WASTEFUL ACTIVITIES  
SHOULD BE REPORTED TO  
THE OFFICE OF INSPECTOR GENERAL**

---

**Internet Complaint Form Address**

**[http://www.oig.doi.gov/hotline\\_form.html](http://www.oig.doi.gov/hotline_form.html)**

**Within the Continental United States**

U.S. Department of the Interior  
Office of Inspector General  
1849 C Street, N.W.  
Mail Stop 5341 - MIB  
Washington, D.C. 20240-0001

Our 24-hour  
Telephone HOTLINE  
1-800-424-5081 or  
(202) 208-5300

TDD for hearing impaired  
(202) 208-2420

**Outside the Continental United States**

***Caribbean Region***

U.S. Department of the Interior  
Office of Inspector General  
Eastern Division - Investigations  
4040 Fairfax Drive  
Suite 303  
Arlington, Virginia 22203

(703) 235-9221

***Pacific Region***

U.S. Department of the Interior  
Office of Inspector General  
Guam Field Pacific Office  
415 Chalan San Antonio  
Baltej Pavilion, Suite 306  
Agana, Guam 96911

(671) 647-6060

---

# HOTLINE

U.S. Department of the Interior  
Office of Inspector General  
1849 C Street, NW  
Mail Stop 5341- MIB  
Washington, D.C. 20240-0001

Toll Free Number  
1-800-424-5081

Commercial Numbers  
(202) 208-5300  
TDD (202) 208-2420

