



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

ADVISORY REPORT

**COSTS CLAIMED BY THE
COMMONWEALTH OF VIRGINIA,
DEPARTMENT OF GAME AND
INLAND FISHERIES, UNDER
FEDERAL AID GRANTS FROM THE
U.S. FISH AND WILDLIFE SERVICE
FROM
JULY 1, 1997 TO JUNE 30, 1999**

SEPTEMBER 2002

Report No. 2002-E-0009



United States Department of the Interior


OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

September 4 2002

ADVISORY REPORT

Memorandum

To: Director
U. S. Fish and Wildlife Service

From: Roger La Rouché 
Assistant Inspector General for Audits

Subject: Final Advisory Report on Costs Claimed by the Commonwealth of Virginia,
Department of Game and Inland Fisheries, Under Federal Aid Grants from the
U.S. Fish and Wildlife Service from July 1, 1997 to June 30, 1999
(No. 2002-E-0009)

Introduction

This report presents the results of our performance of procedures to review another audit agency's work related to costs claimed by the Commonwealth of Virginia, Department of Game and Inland Fisheries (Department), under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS), for the period July 1, 1997 to June 30, 1999.

Background and Scope

The Federal Aid in Wildlife Restoration Act, as amended (16 U.S.C. 669) and the Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777), (the Acts), authorize FWS to provide Federal assistance grants to the states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states for up to 75 percent of all eligible costs incurred under the grants. The Acts specify that state hunting and fishing license revenues cannot be used for any purpose other than activities or the administration of the state's fish and game agencies. In addition, FWS also provides grants to the states under the Clean Vessel Act and the Endangered Species Act.

In March 2000, another audit agency initiated an audit of Federal Aid Program grants and payments awarded by the U.S. Fish and Wildlife Service to the Commonwealth of

Virginia for fiscal years 1998 and 1999. The scope of its audit work, as stated in its announcement letter to the Department, was to evaluate (1) the adequacy of the Department's accounting system and related internal controls; (2) the accuracy and eligibility of the direct and indirect costs claimed by the Department under the Federal Aid grant agreements with FWS; (3) the adequacy and reliability of the Department's hunting and fishing license fees collection and disbursement process; and (4) the adequacy of the Department's purchasing system and related internal controls. The audit was also to include an analysis of other issues considered to be sensitive and/or significant to FWS. The audit work at the Department covered claims totaling \$29.7 million on FWS grants that were open during the Department's fiscal years ended June 30, 1997 and 1998 (see the Appendix). The audit agency's agreement with the FWS expired before issuance of its final report to the Commonwealth of Virginia and the Department was not provided with a draft report.

From 1996 through September 2001, the audit agency conducted audits of Federal Aid grants under a reimbursable agreement with FWS. The FWS did not renew or extend its agreement with the other audit agency. At the time of expiration, final audit reports on several uncompleted audits had not been issued and were in various stages of the audit and reporting processes. The other audit agency indicated in a September 28, 2001 memorandum that its supervisors had not reviewed all of the working papers to ensure that (1) sufficient, competent and relevant evidence was obtained, (2) evidential matter contained in the working papers adequately supported the audit findings, and (3) sound auditing techniques and judgment were used throughout the audit.

On September 20, 2001, FWS and the Department of the Interior (DOI) Office of Inspector General (OIG) entered into an Intra-Departmental Agreement under which FWS requested the OIG to (1) review the audit work performed by the audit agency including its working papers, summaries and draft reports and (2) issue reports on the findings that were supported by the working papers. Accordingly, our review was limited to performing the procedures set forth in the Intra-Departmental Agreement and our conclusions presented in the report are limited to findings substantiated by the working papers. We did not perform any additional audit work of the Department's records, and the limited work performed under these procedures does not constitute an audit by the OIG in accordance with Generally Accepted Government Auditing Standards.

Results of Review

The audit agency's working papers demonstrated that the Department's accounting system and related internal controls in effect during fiscal years 1998 and 1999 were adequate for the accumulation and reporting of costs under Federal Aid grants. The working papers also concluded that the Department's other systems and related internal controls in effect during the audit period related to purchasing, distribution of labor costs, grant compliance, certification of the accuracy of the number of hunting and fishing licenses, billing of grant costs, and supporting in-kind contributions, and its required assent legislation were adequate for Federal Aid participation. In addition, the working papers indicated that:

- The Department needs to institute improved procedures for asset management to properly account for and control equipment purchased with Federal Aid assistance.
- The Department had incurred costs in excess of the individual project budgets established by the consolidated grant on five of its consolidated grant segments.

A. Asset Management

While the Department maintains a listing of assets that were purchased with Federal Aid assistance, the working papers noted that most of the computer equipment on the inventory listing were no longer in use and had been sent to a warehouse for disposition. The inventory listing, however, did not reflect the relocation of the equipment. In addition, the working papers noted that some equipment on site either did not have a state identification tag or the tag was faded and/or illegible.

Recommendation

We recommend that FWS ensure that the Department conducts a physical inventory of all listed assets and reconciles any differences to adjust the listing for property that was disposed of or transferred. In addition, the Department should establish controls to ensure that all items have legible identification tags.

Department's Response

The Department stated that it had created a position to cover the reconciliation of the Fixed Assets Accounting and Control System, surplus property, and the disposal of property. The initial duties of the incumbent will be to conduct an on-site physical inventory of all Departmental assets, to reconcile any differences to the property system, and to ensure that legible tags are on equipment. The Department stated that it hopes to have the process completed by the end of calendar year 2002.

Office of Inspector General Comments

The actions identified by the Department are sufficient to resolve the asset management deficiencies.

B. Consolidated Grants

Consolidated grants provide funds for multiple projects, each with separate budgets, under one grant agreement. The Federal Aid Manual requires prior FWS approval for changes to the project budgets. For consolidated Grant No. WE-99-R-7, the Department's costs exceeded the approved project budgets by \$337,191 during fiscal year 1998. While the working papers indicate that the Department did not seek FWS approval or request an amendment to the grant to deviate from the project budgets, the grant agreement for fiscal year 1999 contained a statement that authorized the Department to claim costs on an overall

grant basis. Specifically, the Other Grant Provisions section of the agreement included the statement, "Pending resolution of national policy clarification, the required level of cost accounting for this grant will be at the grant agreement level."

An FWS Region 5 official added that the grant is a wildlife survey project and the estimated budget was used by the Regional Federal Aid staff only "to establish the substantiality issues of the grant segment". The Regional official further stated that, "Since 1990, we have required the State to cost account at the grant level for grant WE-99-R." Since the Regional Office has authorized the Department to account for costs at the overall grant level, no exceptions were taken because the total costs of all the projects under this grant did not exceed the total approved grant amount.

Department's Response

The Department stated that pursuant to instructions from Region 5, the Department has for a number of years accounted at the grant level and for that reason, they dispute the fact that the Department had overspent "at all or ever." The Department added that they "stand ready, as we always have, to comply with the applicable cost accounting rule set forth by USFWS, whatever that rule may turn out to be."

An FWS Region 5 official stated in the transmittal memorandum that, "The Consolidated Grant – Level of Cost Accounting issue will be resolved when the U.S. Fish and Wildlife Service issues our much awaited level of cost accounting policy."

Office of Inspector General Comments

The FWS has identified this issue as one of the Federal Aid policy issues that it plans to address on a national basis. Therefore, a further response to this recommendation is not required.

In accordance with the Department Manual (360 DM 5.3), please provide us with your written comments by February 4, 2003, regarding the issues discussed in this report. If you have any questions regarding this report, please contact Mr. Gary Dail, Federal Assistance Audit Coordinator at (703) 487-8011.

This Advisory Report is intended solely for the use of grant officials of the U.S. Fish and Wildlife Service, and is not intended for, and should not be used by anyone who is not cognizant of the procedures that were applied and agreed to the sufficiency of those procedures.

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

APPENDIX

**VIRGINIA DEPARTMENT OF GAME AND INLAND FISHERIES
SCHEDULE OF GRANT COSTS
JULY 1, 1997, THROUGH JUNE 30, 1999**

GRANT AGREEMENT	GRANT BUDGET	AMOUNT CLAIMED	FEDERAL SHARE
HIP-1	\$75,000	\$58,806	\$58,806
E-2-6	65,867	65,867	52,000
E-2-7	42,000	47,456	37,000
E-2-8	74,222	88,647	52,705
F-99-D-1	2,644,500	2,695,602	800,000
F-105-D-27	85,880	85,880	64,410
F-105-D-28	122,151	122,151	91,613
F-105-D-29	197,218	197,218	147,914
F-105-D-30	69,606	69,606	52,204
F-105-D-31	201,000	208,938	150,750
F-105-D-32	109,340	83,838	62,878
F-107-D-6	458,000	409,831	307,373
F-107-D-7	330,000	278,205	208,654
F-107-D-8	400,000	369,729	277,298
F-109-D-6	920,000	850,334	637,750
F-109-D-7	890,000	885,857	664,392
F-109-D-8	622,708	636,651	467,031
F-111-R-6	1,800,000	1,713,417	1,285,062
F-111-R-7	1,774,000	1,637,090	1,227,817
F-111-R-8	417,651	403,761	302,821
F-117-R-1	115,800	55,597	41,698
F-117-R-2	90,000	39,479	29,609
F-119-R-1	325,719	93,019	69,764
W-31-C-49	372,437	360,029	270,021
W-31-C-50	367,400	307,037	230,278
W-31-C-51	375,000	324,206	243,155
W-48-D-38	3,086,720	2,916,374	2,187,280
W-48-D-39	2,290,000	1,976,113	1,482,085
W-48-D-40	1,634,344	1,652,836	1,225,758
W-64-S-17	1,125,000	1,126,089	843,750
W-64-S-18	980,924	1,055,304	735,693
W-64-S-19	1,000,000	1,108,532	750,000
WE-99-R-6	2,114,725	2,135,092	1,601,319
WE-99-R-7	3,067,397	2,919,845	2,189,884
WE-99-R-8	2,826,725	2,697,908	2,023,431
TOTAL	\$31,271,334	\$29,676,344	\$20,872,203

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