



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

ADVISORY REPORT

**COSTS CLAIMED BY THE
STATE OF DELAWARE,
DEPARTMENT OF NATURAL
RESOURCES AND ENVIRONMENTAL
CONTROL, UNDER FEDERAL AID
GRANTS FROM THE U.S. FISH AND
WILDLIFE SERVICE FROM
JULY 1, 1998 TO JUNE 30, 2000**

SEPTEMBER 2002

Report No. 2002-E-0010



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 Rouche
Assistant Inspector General for Audits

Subject: Final Advisory Report on Costs Claimed by the State of Delaware, Department of Natural Resources and Environmental Control, Under Federal Aid Grants from the U. S. Fish and Wildlife Service from July 1, 1998 through June 30, 2000 (No. 2002-E-0010)

Introduction

This report presents the results of our performance of procedures to review another audit agency's work related to costs claimed by the State of Delaware Department of Natural Resources and Environmental Control (Department) under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS) for the period July 1, 1998 to June 30, 2000.

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 the administration of the state's fish and game agencies. In addition, FWS provides grants to the states under the Clean Vessel Act and the Endangered Species Act.

In September 2001, another audit agency prepared a draft audit report entitled “Audit of Delaware Federal Aid Program Grants and Payments Awarded by the U.S. Fish and Wildlife Service, Division of Federal Aid, Fiscal Years 1999 and 2000.” The scope of its audit work, as stated in the 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 the FWS. The audit work at the Department covered claims totaling approximately \$11.8 million on FWS grants that were open during the Department’s fiscal years ended June 30, 1999 and 2000 (see Appendix 1). The audit agency’s agreement with FWS expired before issuance of its draft report to the State of Delaware.

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 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 only a portion of the auditors work papers had been reviewed by the audit supervisor to ensure that (1) sufficient, competent and relevant evidence was obtained, (2) evidential matter contained in the working papers adequately supported the audit findings in the report, 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 for these audits 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 working papers demonstrated that the Department’s accounting, purchasing, revenue and disbursement controls, billing of grant costs, grant compliance, certification of the accuracy of the number of hunting and fishing licenses, and its required assent legislation were adequate for Federal Aid participation. The working papers also identified a deficiency in the Department’s land exchange process that is discussed below and two management issues that are presented in Appendix 2.

Land Exchange

The Department did not have written procedures for the disposition or exchange of land. The Code of Federal Regulations (43 CFR 12.71 (C)) Real Property Disposition states, “When real property is no longer needed for the originally authorized purpose, the grantee or subgrantee will request disposition instructions from the awarding agency.” However, the Department did not request disposition instructions from the FWS when it processed a land exchange with a local conservation organization.

In 1997, the Delaware Wild Lands (DWL) approached the Department with a proposal to exchange a DWL property (Vogel/Guessford Tract at 743 +/- acres) for property purchased by the Department (Derrickson Tract at 554 +/- acres), plus two additional parcels to make up the difference in size. One of the additional parcels (the 87 acre Metz Tract) was purchased by the Department with Federal Aid assistance. The Metz Tract was purchased in 1964 and is composed almost entirely of wetlands. The Department has made little investment in this Tract because it has remained in its natural state as a wildlife refuge. No hunting was allowed, no duck blinds were constructed, and little habitat work was accomplished. Only minimal boundary markings were maintained to identify the tract as being purchased with Federal Aid funds.

The Department’s records of the lands exchanged did not readily identify the source of funding for the acquisitions of the properties exchanged. Consequently, the Department proceeded with the exchange without realizing that land purchased with Federal assistance was involved and, therefore, did not seek disposition instructions from FWS. After this matter was brought to the Department’s attention during the course of the review, it took immediate corrective action. It advised FWS of this exchanged property and asked for their recommendation to resolve this issue. In addition, the Department issued a draft Property Exchange/Transfer or Sale Protocol Policy. This draft policy requires a joint determination by the Federal Aid Coordinator and the Lands Acquisition Specialist to ascertain whether a property has a Federal interest or whether it was purchased with Federal or state funds. The draft policy also requires copies of proof of the funding sources as support for this determination and details the “disposition instructions” from the funding agency which must be completed if the property was acquired with Federal assistance or otherwise has a Federal interest. The policy further requires that any Federal interest in the property be recorded on the deed.

Recommendation

We recommend that FWS ensure that its interests in the exchanged property are protected and that the Department issues the draft Property/Exchange or Sale Protocol Policy in final form.

Department’s Response:

The Department concurred with the finding and stated that it had finalized the Property Exchange or Sale Protocol Policy and sent it to FWS’ Region 5 Division of Federal

Aid. It also said that the final policy addresses issues identified during the audit with respect to a land exchange that occurred without concurrence of the Division of Federal Aid and that the policy will ensure that any future sale or transfer of lands will comply with Federal Aid requirements.

Office of Inspector General Comments:

The FWS, in an August 8, 2002 letter to our office, concluded that sufficient actions had been taken to resolve this issue and that a corrective action plan will not be necessary. Therefore, we consider the recommendation implemented and a response to this report is not required.

Section 5 (a) of the Inspector General Act (Public Law 95-452, as amended) requires the Office of Inspector General to list this report in its semiannual report to Congress. If you have any questions regarding this report, please contact Gary Dail, Federal Assistance Audit Coordinator at (703) 487-8032.

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 to the review of another audit agency's work.

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

APPENDIX 1

**DELAWARE DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL
SCHEDULE OF GRANT COSTS CLAIMED
FOR FISCAL YEARS 1999 AND 2000**

GRANT NUMBER	GRANT AMOUNT	AMOUNT CLAIMED	FEDERAL SHARE
F-2-D-47	\$600,000	\$461,388	\$346,041
F-2-D-48	500,000	364,641	273,481
F-2-D-49	500,000	432,476	324,357
F-40-D-8	1,110,500	814,654	609,643
F-48-D-6	540,000	342,352	256,764
F-48-D-7	983,000	969,763	727,322
F-48-D-8	760,000	483,957	362,968
F-55-D-1	1,270,000	1,204,841	903,631
F-62-D-1	517,000	517,000	387,750
F-63-D-1	1,510,000	1,512,429	1,132,500
F-65-R-1	1,049,900	362,276	271,469
W-5-D-50	971,418	957,726	718,295
W-5-D-51	892,000	861,533	646,150
W-5-D-52	970,000	832,219	624,400
W-34-S-1	650,000	533,682	401,813
W-34-S-2	682,000	557,365	418,024
W-34-S-3	970,000	557,247	417,935
Totals	\$14,475,818	\$11,765,549	\$8,822,543

MANAGEMENT ISSUES

The working papers identified weaknesses in timekeeping and in debarment and suspension certifications that the Department corrected during the course of the review, as follows:

A. Timekeeping Procedures

In accordance with the provisions of Office of Management and Budget Circular A-87, Attachment B, paragraph 11.h.(5)(d), personnel activity reports or equivalent documentation must be signed by the employee. However, the working papers indicated that the Department's timekeeping procedures do not require the employee to sign or certify to the time recorded on the timesheet nor does the timesheet contain a signature block for the employee. In addition, the Department's procedures do not require daily recording of time charges to the daily activity report (timesheet) or the completion of the timesheet in ink and do not include instructions on how to make corrections to the timesheet.

The working papers indicate that the auditors reviewed the current and prior timesheets and the Activity Summary Reports for 25 grantee employees and noted the following deficiencies:

- 25 employees had not signed their timesheets.
- 3 employees completed their timesheets on a monthly basis.
- 8 employees completed their timesheets in pencil.
- 9 employees made corrections by white out or erasing.

The Department took immediate action regarding this matter and issued revised General Instructions for Timesheets dated July 12, 2001, which stated:

- Timesheets are to be completed in ink and on a daily basis, not weekly or monthly.
- Corrections to any timesheet or summary should be crossed through, not eliminated using white correctional fluid. Any corrections made must have the employee's initials beside the correction.
- All summary timesheets must be signed by the employee and supervisor.

We believe that the corrective action taken by the Department adequately addressed the deficiencies noted above.

B. Debarment and Suspension Certifications

The Department submits an annual FWS required form entitled “Certifications Regarding Debarment, Suspension and Other Responsibility Matters, Drug-Free Workplace Requirements and Lobby.” The Department is certifying that the vendors are not debarred or suspended from doing business with Federal agencies. However, the Department does not have a system to check for debarred or suspended vendors as required by Executive Order 12549, Debarment and Suspension.

The work papers showed that the Department responded to this issue by issuing guidance to its offices. Effective April 27, 2001, the Department is required to use a revised “Bid Quotation Summary Form” for all purchase orders of \$2,500 to \$10,000. The Summary Form requires that the vendor certify that he is not on the Federal Debarred and Suspended listing. Any purchase above \$10,000 will require additional instructions from the Federal Aid Coordinator or the Fiscal Administrative Officer.

We believe the action taken by the Department is sufficient to resolve this issue.

How to Report Fraud, Waste, Abuse and Mismanagement

Fraud, waste, and abuse in government are the concern of everyone – Office of Inspector General staff, Departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and abuse related to Departmental or Insular Area programs and operations. You can report allegations to us by:

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

Phone: 24-Hour Toll Free 800-424-5081
Washington Metro Area 202-208-5300
Hearing Impaired (TTY) 202-208-2420
Fax 202-208-6081
Caribbean Region 340-774-8300
Northern Pacific Region 671-647-6051

Internet: www.oig.doi.gov/hotline_form.html



U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW
Washington, DC 20240

www.doi.gov
www.oig.doi.gov