



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

## **ADVISORY REPORT**

**COSTS CLAIMED BY THE STATE  
OF NORTH DAKOTA, GAME AND  
FISH DEPARTMENT, 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-0011**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

September 10, 2002

## ADVISORY REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Roger La Rouche  
Assistant Inspector General for Audits

Subject: Advisory Report on Costs Claimed by the State of North Dakota, Game and Fish Department, under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1997 to June 30, 1999 (No. 2002-E-0011)

### 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 North Dakota, Game and Fish Department (Department) under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS) for the period from July 1, 1997 to June 30, 1999<sup>1</sup>.

### 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 Aid grants to 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 also provides grants to the states under the Clean Vessel Act and the Endangered Species Act.

Effective September 28, 2001, another audit agency ceased work prior to drafting a report on its audit of North Dakota's Federal Aid Program grants awarded by the FWS for the period July 1, 1997 to June 30, 1999. The scope of its audit work, as stated in the announcement letter to the Department, was to address the following: (1) the adequacy of the Department's accounting system and related internal controls; (2) the accuracy and

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<sup>1</sup> The review primarily covered grant activity during state fiscal years 1998 and 1999 but also covered some grants open during state fiscal year 1997.

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 any other issues or systems considered to be sensitive and/or significant to the FWS. The audit work at the Department covered grant expenses totaling approximately \$12.9 million on FWS grants that were open during the Department's fiscal years ending June 30, 1998 and 1999 (see Appendix 1). The audit agency's agreement with the FWS expired before that agency had drafted a report or briefed the FWS on issues identified during the audit.

From 1996 through September 2001, the other audit agency conducted audits of Federal Aid grants under a reimbursable agreement with the FWS. The FWS did not renew or extend its agreement with the audit agency, which expired on September 30, 2001. 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 the draft report and supporting work papers related to the audit had not been completed and that its supervisors had not completed their review of the working papers to ensure that (1) sufficient, competent and relevant evidence was obtained, (2) evidential matter contained in the work papers adequately supports 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 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 the 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, cash management, billing and asset management systems and related internal controls and its indirect cost structure and assent legislation were adequate for Federal aid participation.<sup>2</sup> In addition, the working papers disclosed the following:

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<sup>2</sup> There was insufficient information in the working papers regarding the sufficiency of the Department's license fee collection and disbursement system and its system to certify the accuracy of the number of hunting and fishing license holders.

- The Department’s method of allocating “compensated absence costs” (for example, vacation, sick leave, and holidays) to Federal Aid grants may have resulted in an inequitable distribution of costs to the Federal Aid grants.
- The Department had not provided adequate handicapped access to restroom facilities at 10 wildlife management areas and 3 other sites that received Federal Aid funds.

## A. Allocation of Employee Benefit Costs

The working papers indicated that the Department’s method of allocating employee “compensated absence costs” (i.e., vacation, sick leave, and holidays) did not provide for an equitable distribution to Federal Aid grants. The Department’s method was to apply 100 percent of each employee’s compensated absence costs to the cost center/project to which the employee charged the most labor hours during the month of the absence. This practice is not consistent with Office of Management and Budget Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments; Attachment B; Section 11d.(2) states “The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job . . . are allowable if: . . . (b) the costs are equitably allocated to all related activities, including Federal awards”.

Allocating all of an employee’s monthly benefit costs to the activity the employee charges most of his/her time during a month may not result in an equitable allocation of costs. According to the working papers, a Department official agreed that the allocation method could cause an inequitable distribution of costs to Federal Aid grants. The official also said that the Department would revise its procedures so that compensated absence costs would be included in the Department’s indirect cost pool and be distributed through the application of its indirect cost rate to provide a more equitable distribution of costs<sup>3</sup>.

The working papers also included a worksheet prepared by the Department official that reallocated the compensated absence costs. The reallocation estimated that the leave costs charged to the Federal Aid grants had been overstated by \$83,052 for fiscal years 1998 and 1999, as follows:

Fiscal Year	Amount Overstated <sup>4</sup>
1998	\$38,854
1999	44,198
Total	<u>\$83,052</u>

<sup>3</sup> The Department’s approved indirect cost rates for fiscal years 2001 and 2002 include compensated absence costs in the indirect cost pool.

<sup>4</sup> The reallocation performed by the Department also included fiscal years 1996 and 1997. For 1996, there was an undercharge of \$27,778 and for 1997, there was an overcharge of \$67,956. These two years are outside the scope of the review.

The Department's analysis did not break out the overcharges by individual grant nor were we able to verify the accuracy of the Department's calculation. Therefore, we did not classify the costs as questioned costs.

### **Recommendation**

We recommend that the FWS resolve the estimated overcharges for compensated absence costs.

### **Department and U.S. Fish and Wildlife Service Responses**

The Department stated in its response that it “does not agree that there was not equitable distribution of compensated absence costs.” It also stated that compensated absence costs were not charged to the Federal Aid grants for employees who “sometimes worked on federal aid projects, but worked primarily on nonfederal projects.” The Department said, however, that it had changed its system to include these costs in their negotiated indirect cost pool, and that this system is actually easier for the Department to administer and that it considers this as “a positive change.”

The FWS stated that since the auditor's verified that corrective action was taken, they consider the audit finding resolved and implemented, and no further corrective action is required.

### **Office of Inspector General Comments**

Based on the Departments' and FWS' responses we consider the recommendation resolved and implemented.

## **B. Access to Facilities for Handicapped Individuals**

The working papers indicated the Department had not provided (1) adequate handicapped access to restroom facilities at 9 of 15 wildlife management areas and at 3 of 9 other sites visited and (2) handicapped parking spaces at 7 of the 10 wildlife management areas and at 2 of the 3 other sites (see Appendix 2). The Code of Federal Regulations (50 CFR 80.21) requires states to certify they have complied with all applicable Federal laws including the Americans with Disabilities Act. Further, the FWS Federal Aid Handbook Part 523, Chapter 1.4c(3) states “the location of facilities shall not have the effect of excluding handicapped persons from, deny them the benefits of, or otherwise subject them to discrimination under any Federal Aid project.” According to the working papers, the Department was beginning to correct these deficiencies starting with the sites with heaviest use.

## **Recommendation**

We recommend that the FWS ensure that Departmental facilities supported with Federal Aid funds provide adequate access for handicapped individuals.

## **Department and U.S. Fish and Wildlife Service responses**

The Department stated that handicap access will be provided by constructing cement walkways and that it hoped to complete as many of the projects as possible this calendar year and the remaining projects in 2003. Regarding the handicap parking issue, the Department said that handicap signs will be installed at all nine locations by the end of August 2002.

The FWS stated that it concurred that the Department's proposed corrective action plan, when fully implemented, will correct the access deficiencies noted by the auditors. The FWS added that it will consider the finding and recommendation resolved and implemented when all actions have been completed.

## **Office of Inspector General Comments**

We consider the recommendation resolved but not implemented. The corrective action plan should provide a schedule for completion of the access facilities for all identified Departmental sites.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your corrective action plan by December 11, 2002, 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) 487-8032.

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 and agreed to the sufficiency of those procedures.

cc: Regional Director, Region 6,  
U.S. Fish and Wildlife Service

**NORTH DAKOTA GAME AND FISH DEPARTMENT  
SUMMARY OF COSTS CLAIMED FOR GRANTS OPEN FROM  
JULY 1, 1996 THROUGH JUNE 30, 1999\***

**Fisheries Restoration**

Grant Number	Total Costs Claimed
FW-13-T-18	\$225
FW-13-T-19	57,199
FW-13-T-20	46,746
FW-13-T-21	65,349
F-2-R-44	1,077,000
F-2-R-45	1,098,750
F-2-R-46	617,950
F-30-D-33	54,395
F-30-D-35	162,620
F-30-D-37	133,588
F-30-D-39	94,773
F-30-D-MA-34	524,517
F-30-D-MA-36	412,855
F-30-D-MA-38	176,884
F-38-D-11	154,625
F-38-D-12	329,352
F-38-D-13	317,161
F-38-D-14	259,925
F-41-AE-10	71,451
F-41-AE-11	152,323
F-41-AE-12	145,747
F-41-AE-13	95,825
<b>Sub-Total Fisheries Restoration</b>	<b>\$6,049,260</b>

\*The grant schedule provided by FWS included in the working papers showed only the expenses claimed by grant and did not show the grant agreement amounts. Also, although the audit agency's announcement letter identified the audit period as fiscal years 1998 and 1999, the schedule provided by FWS included some costs claimed for grants open during fiscal year 1997.

**NORTH DAKOTA GAME AND FISH DEPARTMENT  
SUMMARY OF COSTS CLAIMED FOR GRANTS OPEN FROM  
JULY 1, 1996 THROUGH JUNE 30, 1999\***

**Wildlife Restoration**

<b>Grant Number</b>	<b>Total Costs Claimed</b>
FW-13-T-20	\$ 186,984
FW-13-T-21	196,495
W-23-D-51	959,162
W-23-D-52	1,023,253
W-23-D-53	966,036
W-67-R-37	967,255
W-67-R-38	858,512
W-67-R-39	842,399
W-83-S-25	238,758
W-83-S-26	310,337
W-83-S-27	214,823
HIP-1-1	50,000
<b>Sub-Total Wildlife Restoration</b>	<b>\$ 6,814,014</b>

**Endangered Species Restoration**

<b>Grant Number</b>	<b>Total Costs Claimed</b>
E-1-19	\$ 6,768
PW-1-1	14,500
SE-1-10	2,513
SE-1-11	667
SE-1-12	8,334
SE-1-13	5,566
SE-1-14	9,000
SE-1-15	9,000
SE-1-16	10,000
SE-1-17	5,009
<b>Sub-Total Endangered Species</b>	<b>\$71,357</b>
<b>Total Amount Claimed</b>	<b>\$12,934,631</b>

\*The grant schedule provided by FWS included in the working papers showed only the expenses claimed by grant and did not show the grant agreement amounts. Also, although the audit agency's announcement letter identified the audit period as fiscal years 1998 and 1999, the schedule provided by FWS included some costs claimed for grants open during fiscal year 1997.



**NORTH DAKOTA GAME AND FISH DEPARTMENT  
HANDICAPPED ACCESS ISSUES AT DEPARTMENT SITES  
VISITED DURING JULY AND AUGUST 2000**

<b>Sites Visited</b>	<b>Grant Number</b>	<b>No Restroom Access</b>	<b>No Handicapped Parking Spaces</b>
<b>Wildlife Management Areas</b>			
Oahe	F-23-D		
Moon Lake Fishing Access	F-30-D	<b>X</b>	<b>X</b>
Erie Dam and Recreation Area	FW-7-L & W-82-L	<b>X</b>	<b>X</b>
Rice Lake	W-23-D		
Froelich Dam	F-30-D	<b>X</b>	
Indian Creek	F-30-D	<b>X</b>	<b>X</b>
Van Hook	F-30-D		
Sweet Briar Lake	F-30-D & W-23-D	<b>X</b>	
Crown Butte Lake	F-30-D	<b>X</b>	<b>X</b>
Wakopa	F-30-D & W-23-D	<b>X</b>	<b>X</b>
Pembina Hills	W-23-D		
Minnewaukan	F-30-84-MA		
Warsing Dam	F-30-D	<b>X</b>	<b>X</b>
Balta	F-30-D		
Fish Creek	F-30-D	<u><b>X</b></u>	<u><b>X</b></u>
<b>Subtotal: Number of Sites: 15</b>		<b>9</b>	<b>7</b>
<b>Other Sites</b>			
Kimball Bottoms-Desert Ramp	F-30-D		
Sugar Loaf Bottoms	F-30-D		
Little Hearts Bottom	F-30-D	<b>X</b>	
Raleigh Reservoir Recreation Area	F-30-D	<b>X</b>	<b>X</b>
Swenson Fishing Access	F-30-D		
Garrison Dam National Fish Hatchery	F-38-D		
Six Mile Bay Recreation Area	F-30-84-MA		
East Bay Boat Ramp	F-30-84-MA		
Creel Bay Recreation Center	F-30-84-MA	<u><b>X</b></u>	<u><b>X</b></u>
<b>Subtotal: Number of Sites: 9</b>		<u><b>3</b></u>	<u><b>2</b></u>
<b>Total: Number of Sites: <u>24</u></b>		<u><b>12</b></u>	<u><b>9</b></u>

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