



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

ADVISORY REPORT

**COSTS CLAIMED BY THE
COMMONWEALTH OF
NORTHERN MARIANA ISLANDS,
DEPARTMENT OF LANDS AND
NATURAL RESOURCES, UNDER
FEDERAL AID GRANTS FROM
THE U.S. FISH AND WILDLIFE
SERVICE FROM OCTOBER 1, 1996
THROUGH SEPTEMBER 30, 1998**

JANUARY 2003

Report No. 2003-E-0013



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

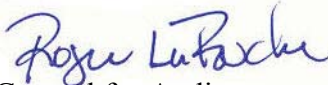
Washington, D.C. 20240

January 22, 2003

ADVISORY REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Roger La Rouché 
Assistant Inspector General for Audits

Subject: Advisory Report on Costs Claimed by the Commonwealth of Northern Mariana Islands, Department of Lands and Natural Resources, under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1996 Through September 30, 1998 (No. 2003-E-0013)

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 the Northern Mariana Islands, Department of Lands and Natural Resources (Department) under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS) for the period October 1, 1996 through September 30, 1998.

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 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.

In June 2000, another audit agency prepared a draft report on its audit of FWS Federal Aid program grants awarded to the Commonwealth for fiscal years 1997 and

1998. The scope of its audit, 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 grant agreements; (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 approximately \$1.5 million on FWS grants that were open during the Department's fiscal years ended September 30, 1997 and 1998 (see the Appendix). The audit agency's agreement with FWS expired before issuance of its final report to the Department, and the Department was not provided a copy of the 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 the audits 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 reviewed a majority of the working papers on the audit of the Commonwealth, but the remainder needed to be reviewed 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 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 grantee'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 results of our review of the working papers disclosed the following:

- Costs totaling \$942,927 were questioned representing costs that were based on budgeted labor hours rather than actual recorded hours (\$866,480), charges for work that was not completed (\$20,000), duplicate costs (\$16,002), costs for purchases that did not have prior FWS approval (\$10,827), travel costs that were not related to the grant (\$2,154), and the associated indirect cost claims (\$27,464).

- The Department did not effectively manage the Smiling Cove Marina, resulting in potential unrealized revenues of as much as \$204,000 and unsupported and questionable expenses of \$8,030. We are reporting these issues because under Grant No F-4-R, FWS agreed to provide funds for operation and maintenance of the Marina if the Marina expended all its revenues (although no grant funds were used during the audit period.)
- The Department's asset management system was inadequate for the management of property purchased with Federal Aid funds. The working papers indicated property items totaling \$120,312 could not be located and/or verified and three vehicles were transferred to other organizations for non-Federal Aid program use without documenting the asset inventory listing and crediting the value of the vehicles to the Federal Aid grants.
- Improvements are needed in the Department's financial management and accounting systems pertaining to budget control and purchasing.
- The Department's assent legislation is not in compliance with the Code of Federal Regulations (50 CFR 80.3) requirement that all license revenue be used solely for the support of the fish and wildlife agency.

A. Questioned Costs - \$942,927

The working papers indicated that \$942,927 in claimed costs were questioned because (1) the claim for labor costs was based on budgeted hours instead of actual hours (\$866,480); (2) payment was made for work that was not performed (\$20,000); (3) costs were claimed twice (\$16,002); (4) the Department did not obtain prior purchase approval from FWS (\$10,827); (5) the costs were not related to the grant (\$2,154); and (6) indirect costs were claimed on the questioned costs (\$27,464).

1. Unsupported Labor Costs - \$866,480. The working papers questioned costs of \$866,480 claimed for salaries and fringe benefits for fiscal years 1997 and 1998 because the labor claims were based on budgeted hours instead of actual recorded hours. Office of Management and Budget (OMB) Circular A-87, Attachment B, Section 11.h. (4) states that, "Where employees work on multiple activities, or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)." Section 11.h. (5)(e) further states that, "Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards."

Labor costs were also questioned in a previous audit conducted by the OIG for fiscal years 1993 and 1994 because of the lack of documentation to support the Department's claims. In response to that audit, the Department implemented time distribution reports. However, the Department did not use these reports as a basis for

distributing labor hours because it was under the impression that the Commonwealth accounting system was not capable of recording actual hours worked and did not submit the time distribution reports to payroll. In addition, the working papers indicated that the time distribution reports were not accurate because the Department does not have written policies and procedures or provide formal training for its employees on timekeeping procedures; some employees stated during field interviews that they charge time based on the projects for which they were budgeted rather than the projects they actually worked on; and in some instances employees stated that they were directed to charge the wrong grant. The working papers indicated that since the Department did not use these reports and the reports were unreliable, all labor costs charged to Federal Aid grants should be questioned.

The total personal services costs charged to all grants, excluding the Smiling Cove Marina grant (which is discussed in Finding B), was \$866,480 for fiscal years 1997 and 1998. These costs consisted of direct labor (\$661,698) plus fringe benefits (\$204,782). The benefits consisted of life insurance, subsistence, health insurance, Medicare, lump sum payment of annual leave, holiday pay and retirement. The retirement allocation was \$156,701 and was based on a rate of 24 percent of direct labor dollars.

The working papers indicated that the retirement contributions included amounts for Federal Aid employees hired under short-term contracts and who are not given the civil service status that locally funded Departmental employees receive. Current pension guidance requires that an employee must work a minimum of 10 years in order to be entitled to a pension. Retirement costs should not be billed to the Federal Aid projects for employees hired under these short-term contracts.

The working papers did not show the amount of unsupported labor costs by grant, but rather by the Department's internal cost accounting code. Since there was no documentation to allocate the labor costs by grant, Appendix 1 shows the questioned costs as a lump sum.

2. No Work Product - \$20,000. The working papers questioned \$20,000 claimed for professional services on Grant No. FW-1-C because the work products required by the contract were not submitted. Contract Number 315733-OC called for the contractor to submit monthly reports, and draft and final documents for the fiscal year 1999 Sportfish, Wildlife, Coordination and Boating Access Programs to the Department. The only documents delivered were the monthly status reports for August, September, and October of 1998. There was no evidence that the remaining deliverables were provided.

3. Duplicate Costs - \$16,002. The working papers questioned \$16,002 claimed for freight and handling costs on Grant No. F-1-R because the costs had already been claimed. The Department claimed the \$16,002 on Document No. 739003 and also claimed the same amount on Document No. 739363.

4. No Prior Approval - \$10,827. The working papers questioned \$10,827 because the Department did not obtain the approval of the FWS Federal Aid Coordinator before the purchases were made. The Department was identified as a high-risk grantee based on the results of the prior audit and therefore was required to obtain the approval of the Federal Aid Coordinator for all purchases that exceeded \$500. However, the Department did not obtain the approval from the Coordinator for four transactions as follows:

Grant No.	Document No.	Description	Amount
FW-1-C	58109	Rental office Equipment	\$2,890
F-1-R	58407	Machinery tools	4,292
W-1-R	16510	Fuel and lubricant	2,025
W-1-R	16509	Fuel and lubricant	1,620
Total			<u>\$10,827</u>

5. Unallowable Travel Costs - \$2,154. The working papers questioned \$2,154 because the Department charged travel costs to the wrong account. Travel from Saipan to Green Bay, Wisconsin by the Manager of Smiling Cove Marina to attend a boating access conference was charged to Sport Fish Grant No. F-1-R, instead of the Smiling Cove Marina account. Boating access costs are not allowable costs on the Sport Fish grant.

6. Indirect Costs - \$27,464. The working papers identified additional questioned costs of \$27,464, representing the indirect costs applicable to the questioned costs (\$915,463 x 3 percent) for fiscal years 1997 and 1998.

During fiscal year 1998, the Department claimed indirect costs based on a rate of 3 percent of allowable direct costs. However, the working papers included documentation that showed the rate for fiscal year 1998 should have been 5 percent. According to the working papers, the Department used the 3 percent rate because it apparently misinterpreted the Code of Federal Regulation (50 CFR 80.15 (d)) requirement that administrative costs for central services outside the State fish agency cannot exceed 3 percent of the annual apportionment. The Department did not calculate the rate applicable to each fiscal year to account for variations in apportionments and costs and therefore, under claimed indirect costs for fiscal year 1998.

Recommendations

We recommend that FWS:

1. Resolve the \$942,927 in questioned costs.
2. Ensure that the Department corrects the deficiencies related to its labor distribution procedures.

Department and U.S. Fish and Wildlife Service Responses

Departmental officials responded to the questioned cost issues as follows:

Labor Costs. The Department provided an analysis of the employee hours charged to Federal Aid grants through “personnel expenditure worksheets” that it claimed show those employees who worked solely on a single Federal grant and those employees who worked on more than one grant. The response stated that the worksheets provide the employee number, name, position, annual rate of pay, percentage of time spent on the grant, and the hourly rate. Overall, the Department’s analysis showed that of the questioned costs of \$866,480, costs of only \$11,502 needed to be refunded. The \$11,502, which was related to a local beautification project, was erroneously charged to the Wildlife Restoration grant (\$9,708) and the Sport Fish grant (\$1,794). The Department officials stated that these charges would be refunded to FWS. The analysis also identified Sport Fish Restoration costs that were erroneously charged to the Wildlife Restoration grant and vice versa. However, the Department’s position was that since both grants had sufficient unexpended funds, no adjustments were necessary.

No Work Product. Departmental officials stated that the contractor performed the services required under the contract and provided copies of monthly status reports for August, September, and October of 1998. The officials stated that deliverables for items 4, 5, and 8 were to be completed in the remaining 3 months that were outside the scope of the audit. The Department further stated that, “Accordingly, we ask that the remaining deliverables be addressed either separately or in a subsequent audit.”

Duplicate Costs. The Department responded that Document No. 739003 for \$16,002 was manually voided, but the void was not entered into the computer system at the time the check was voided. Later, payment was made to the vendor through Document No. 739363. The Department further stated that, “In a subsequent period the apparent duplicate payment was discovered and corrected in the computer system. Accordingly, there is no duplicate payment.”

No Prior Approval. The Department stated that these costs were necessary and reasonable and would have been allowed had they obtained prior approval. The Department added that in 3 of the 4 instances, the finance office combined several payments that collectively exceeded the \$500 threshold. Departmental officials added that, “It is for this reason and because the costs are legitimate program costs that we respectively request that these costs be allowed.”

Unallowable Travel Costs. Departmental officials stated that the expense was incorrectly charged to the wrong account and it was rectified through a journal voucher.

Indirect Costs. Departmental officials stated that, “A re-computation is necessary based upon resolution of questioned costs.”

The FWS responded that they concurred with the findings and recommendations.

Office of Inspector General Comments

The Department's response did not contain sufficient information for us to determine whether the actions identified were adequate for FWS to resolve the recommendations.

Labor Costs. The only information provided by the Department was spreadsheets that only show the percentage of participation. The Department did not provide timesheets or any other documentation to support its analysis. FWS should request the documentation supporting the Department's analysis and resolve the questioned costs.

No Work Product. Although the deliverables (items 4, 5 and 8) were outside the audit period, the Department had claimed the full amount of the contract, and the deliverables had not been provided as of the completion of the audit fieldwork, which was well after the grant period. FWS should request the Department to provide documentation that these items were performed as called for in the contract.

Duplicate Costs. The Department provided documentation showing that its accounting records had been corrected to eliminate the duplicate charge, but did not provide documentation showing that it had reimbursed FWS for these costs.

No Prior Approval. The FWS will need to determine whether these costs should be considered allowable.

Travel Costs. The Department provided documentation showing that its accounting records had been corrected through a journal voucher, but did not provide documentation showing that it had reimbursed FWS for these costs.

Indirect Costs. FWS will need to determine the appropriate adjustment for indirect costs based on the resolution of the other questioned costs.

Regarding Recommendation 2, the Department and FWS did not provide a response to the recommendation. Therefore, we request that FWS provide a response as part of the corrective action plan.

B. Smiling Cove Marina

Grant No. F-4-R, identified as the Smiling Cove Operation and Maintenance project, was to provide funds to maintain the marina if the marina expended all revenue collected from berthing fees. The "Special Grant Conditions" statement included the following condition:

The grant is approved with the understanding that, “1) in accordance with the Grant Proposal and Grant Agreement program income resulting from berthing fees will be used to finance project costs. No Federal Aid funds will be obligated and no reimbursement will be made. If and when all accumulated income has been utilized for project purposes the Federal Aid office in Honolulu should be advised. At that time an obligation of funds will be made available for drawdowns. 2) In accordance with the Grant Proposal, program income resulting from the collection of berthing fees must be deposited in a separate account until disbursed for approved grant activities.”

The working papers indicated that the Department (1) did not receive potential income of as much as \$204,000 because it did not manage the marina effectively and (2) recorded expenses of \$8,030 that were not supported by the accounting records or were ineligible for Federal Aid participation.

1. Unrealized Income. The working papers indicated that the Department had the potential to collect additional revenues of as much as \$204,000. Specifically:

- There were 24 instances where individuals were allowed to retain their slips despite the non-payment of slip fees and/or security deposits. In one case, a tenant’s fees were waived for 41 months resulting in the loss of revenue of \$16,192 (\$15,088 in slip fees and \$1,104 for the security deposit). The fees were waived because “the slip was not adequate and because his boat was at the marina before the SCM [Smiling Cove Marina] was restored.” The working papers indicated that the auditor visited the marina and concluded that if anything, the size of the tenant’s vessel made the slips beyond his less desirable because the size of his vessel blocked easy access to the slips beyond.
- According to the working papers, two slips remained vacant as a favor to a friend of a government official. On occasion, the marina manager would use those slips for temporary berthing, but for the most part the slips remained vacant from fiscal year 1994 through fiscal year 1997.

The working papers also identified deficiencies regarding the Department’s accounting and collection procedures. Specifically, the Department has been cited in the single audit report for internal control deficiencies, including an excessive number of voided cash receipts. In addition, cash receipts are sequentially numbered for the entire Commonwealth and as a result, there is no way to determine if there are missing receipts attributable to the marina.

The working papers concluded that the Department needs to institute internal controls to ensure that all revenues are collected in accordance with established guidelines and are properly recorded.

2. Marina expenses. The working papers identified questionable recorded

expenses of \$8,030 for the marina operations as follows:

- The working papers identified questionable expenses of \$5,530 that were (1) not supported by appropriate documentation (\$3,321), (2) incurred outside of the grant period (\$1,289), (3) for unallowable expenses (fishing tackle)(\$619), and (4) paid previously (\$301).
- The working papers identified professional services costs of \$2,500 recorded in fiscal year 1998 that were questionable because the services required were not provided. Marina officials issued a contract for assistance in the preparation of the marina's 5-year plan and assistance with the collection of delinquent accounts. However, the contractor did not provide the contracted services and only three of the required monthly progress reports (August, September and October of 1998).

Since the Department did not claim or receive Federal Aid reimbursement for these expenses, no action is required to resolve these questionable costs.

Recommendations

We recommend that FWS:

1. Ensure that the Department institutes procedures to strengthen the controls over the collection of revenues at the Smiling Cove Marina to include the collection of all boat slip fees, establishment of collection procedures for delinquent fees, and the elimination of fee waivers for inappropriate reasons.
2. Ensure that the Department establishes a review process to ensure that all costs incurred by the marina are appropriate for the operation and maintenance of the facility as called for in the grant agreement.

Department and U.S. Fish and Wildlife Service Responses

The Department stated that it disagreed with the finding on unrealized income because the auditors assumed that all slips were leased all of the time and that no tenant was in arrears of their monthly slip rental payment. Departmental officials added that the delinquent tenant accounts were referred to the Attorney General's Office for collection/court action, and the two slips that were reserved for temporary berthing during the audit period have been terminated. Departmental officials further stated that, "...the Attorney General has drafted promissory notes that have been signed by the delinquent SCM tenants. The promissory notes affirm the legal liability, are easily enforceable through court action and have spurred delinquent tenants to make payments." The Department also stated that the marina expenses were all paid out of the program income account and they should be excluded from the audit.

The FWS responded that it concurs with the audit finding and recommendations.

Office of Inspector General Comments

The response from the Department indicates that actions have been taken to address specific instances of non-collection of revenues. However, neither the Department nor FWS specifically addressed the recommendations to strengthen controls over expenditures and the collection of revenues. Therefore, we request that FWS address these recommendations as part of the corrective action plan.

C. Asset Management

The Code of Federal Regulations (43 CFR 12.60 (b)(3)) requires that, “Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property and other assets.” The working papers identified the following deficiencies in the Department’s asset management system.

- Although the Department maintained an overall property listing, it did not maintain a list of assets obtained with Federal Aid funds. The listing did not always show the date of acquisition or the source of funding.
- During the site visits, the Department could not locate and/or verify 188 property items valued at \$120,312. The missing items included two vehicles (\$19,250), an outboard motor (\$6,422), and a night vision scope (\$3,950).
- Three vehicles purchased with Federal Aid funds, valued at \$42,893, were transferred to the Law Enforcement Division and Westpac without the transfer being documented in the Department’s asset listing. In addition, the Federal Aid grants were not credited for the value of the vehicles.
- Vehicle usage logs were maintained for only 5 of the 14 vehicles purchased with Federal Aid funds and of those 5 vehicles, 1 had been transferred to Westpac. The working papers show that a review of the usage logs for the remaining 4 vehicles disclosed that 20 percent of the usage was by Law Enforcement, Departmental or other agency employees for non-Federal Aid program activities

Recommendation

We recommend that FWS ensure that the Department corrects the deficiencies in its asset management system and reimburses the FWS for the fair market value of personal property that was lost and/or missing, or was transferred to non-Federal Aid activities.

Department and U.S. Fish and Wildlife Service Responses

Departmental officials stated that the asset management function for the Department is under the control of the Office of Procurement and Supply. The Department stated that a master list and property identification cards are maintained for all items purchased by the Department. The response acknowledged, however, that in a few instances, the date of acquisition was not inputted on the identification card.

Regarding the missing property identified in the report, the Department stated that they obtained a listing of the property items acquired with Federal Aid grant funds with a total value of \$120,312, from the Procurement and Supply Office. The officials added that the property listed as missing “has been found and, in most cases was never missing, we therefore respectfully request that this finding be deleted.” The officials also stated that, “the three vehicles in question were temporarily used by Departmental conservation officers in their effort to protect and preserve wildlife. The vehicles were not used for law enforcement purposes. There was no transfer of these vehicles as they remain [the] property of DFW [Department] and are used to support Federal Aid funded programs.”

The FWS responded that it agreed with the finding and recommendation.

Office of Inspector General Comments

The Department’s response did not provide any additional data that would resolve the findings and recommendations. The listing that the Department indicated was provided by the Office of Procurement and Supply was actually provided by our office after the exit conference. This listing does not provide any evidence that the items were found. There is no reference to location, condition, or any indication that the item was actually verified. In addition, the borrowing of Federal Aid funded vehicles from “time to time” without any documentation of usage is not an acceptable practice. The vehicles were acquired with Federal Aid funds for use on Federal aid projects, not other Departmental usage.

We request that FWS address the recommendation in the corrective action plan.

D. Financial Management

The Code of Federal Regulations (43 CFR 12.60 (b)(4)) states, “Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant.” The Department accumulated and reported grant costs at the grant level even though the grants provided budgets at the project level. As such, the Department was unable to provide actual cost information in the same detail that the grant agreements were proposed and accepted by FWS.

Recommendation

We recommend that FWS ensure that the Department accounts for costs at the appropriate level of accounting.

Department and U.S. Fish and Wildlife Responses

Departmental officials stated that the Division of Fish and Wildlife has developed daily activity reports that account for the daily activity of individuals who work on multiple grants. In addition, the officials also stated that the Department Secretary has instructed the Division of Fish and Wildlife to make each project a separate grant in future grant submissions.

The FWS stated that they concur with the finding and recommendation.

Office of Inspector General Comments

The response from the Department did not specifically address the issue of accounting for costs at the project level. We request that the FWS address the issue in the corrective action plan.

E. Assent Legislation

The Code of Federal Regulations (50 CFR 80.3), states that a State may participate in the benefits of the Acts only after it has passed legislation that assents to the provisions of the Acts and includes a prohibition against the diversion of license fees paid by hunters and sport fishermen to purposes other than the administration of the fish and wildlife agency. The Department's current legislation does not include a prohibition against the diversion of license fee revenues. Furthermore, the legislation allows for the suspension of the Commonwealth's assent to the Acts whenever the Governor certifies to the legislature that, due to any change in circumstances or in the law, continued assent would not be in the best interest of the Commonwealth. Specifically, the legislation (2 CMC § 5107), Fish and Game Administration Fund states that "license revenues collected during the time of any suspension of the Act under 2 CMC § 5106 (b) shall be covered into the General Fund," which would result in a diversion of revenue.

Recommendation

We recommend that the FWS resolve the issue regarding the Department's assent legislation.

Department and U.S. Fish and Wildlife Service Responses

Departmental officials indicated that the assent legislation issue has been resolved based on a letter from the Assistant Regional Director for Federal Aid, Region 1, to the

prior auditors on June 14, 2000 that indicated that there is no indication that the suspension language in the assent legislation was a problem. The Assistant Regional Director stated that, "...although we believe it would be desirable to remove the language in question from CNMI's assent legislation, we do not believe the language constitutes non-compliance with the assent legislation requirements in 50 CFR 80.3."

The FWS responded that, "The Service concurs with the audit finding and the auditor's recommendation. The Division of Wildlife has provided documentation that specifically addresses this issue. No further action is necessary."

Office of Inspector General Comments

We disagree with the responses. We believe that the suspension provision should be eliminated because allowing this suspension authority to remain could set a precedent for other states. Therefore, we request that FWS require that the Department seek a modification to the assent legislation.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written comments regarding the unresolved recommendations by April 17, 2003.

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 who agreed to the sufficiency of those procedures.

If you have any questions regarding this report, please contact Mr. Gary Dail, Federal Assistance Audit Coordinator, at (703) 487-8011.

cc: Regional Director, Region 1
U.S. Fish and Wildlife Service

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LANDS AND NATURAL RESOURCES
DIVISION OF FISH AND WILDLIFE
FINANCIAL SCHEDULE OF REVIEW COVERAGE
FISCAL YEARS ENDING SEPTEMBER 30, 1997 AND 1998¹**

Number	Grant Amount	Amount Claimed	Questioned Costs	Notes
F-1-R	\$708,371	\$585,854	\$23,120	a
F-4-R	300,000	0		
FW-2-E	101,728	101,819		
FW-1-C	273,628	246,036	23,578	b
FW-3-D	180,000	180,627		
W-1-R	550,143	402,818	3,755	c
Questioned Labor Cost	0	0	892,474	d
Total	<u>\$2,113,870</u>	<u>\$1,517,154</u>	<u>\$942,927</u>	

Explanatory Notes:

- a. These questioned costs include duplicate costs (\$16,002), purchases made without prior FWS approval (\$4,292), unallowable travel costs (\$2,154), and the associated indirect costs (\$672).
- b. These questioned costs include charges for which no work product was submitted (\$20,000), purchases made without prior FWS approval (\$2,890), and the associated indirect costs (\$688).
- c. These questioned costs include purchases made without obtaining prior FWS approval (\$3,645) and the associated indirect costs (\$110).
- d. These questioned costs include all labor claims (\$866,480) and the associated indirect costs (\$25,994).

¹ This schedule is based on an uncompleted worksheet and other documents in the working papers. We could not verify the accuracy or completeness of this information, nor could we allocate the questioned labor costs to each grant because the labor costs were recorded by Departmental account numbers and not by grant number.

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