



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

ADVISORY REPORT

**Costs Claimed by the
State of Maryland,
Department of Natural
Resources, Under Federal Aid
Grants from the U.S. Fish and
Wildlife Service from
July 1, 1998 through
June 30, 2000**

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

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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 State of Maryland, Department of Natural Resources, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1998 through June 30, 2000 (No. 2003-E-0015)

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 Maryland, Department of Natural Resources (Department) under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS) from July 1, 1998 through 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 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 January 2001, another audit agency initiated an audit of FWS Federal Aid Program grants awarded to the State of Maryland for fiscal years 1999 and 2000. The scope of the work to be performed by the other audit agency, 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 evaluation of other issues considered sensitive and/or significant to FWS.

The audit agency's working papers did not identify the amount claimed on FWS grants that were open during the Department's fiscal years ending June 30, 1999 and 2000. Based on our review of grant agreements and payment information provided by FWS, we determined that grants for \$24.4 million were open and payments of \$10.9 million were made by FWS during the Department's fiscal years ending June 30, 1999 and 2000.

From 1996 through September 2001, the audit agency conducted audits of Federal Aid grants under a reimbursable agreement with the FWS. 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 audit of the Department was discontinued prior to the completion of fieldwork. The audit agency indicated in a September 28, 2001 memorandum that its supervisors had not reviewed 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. A preliminary draft report on the audit of the Department was not prepared.

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 other 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. However, based on our review of the audit agency's working papers, we concluded that there was insufficient information to issue a meaningful report. Therefore, under the agreement with FWS, we performed additional work to analyze Departmental records and interview Departmental officials relative to the work performed by the other audit agency.

We performed the additional work in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. We did not evaluate the economy, efficiency, and effectiveness of the Department's operations. The additional work was performed at the Department's headquarters in Annapolis, Maryland and a field station in Gwynnbrook, Maryland.

Results of Review

We concluded that the Department's accounting, purchasing and labor distribution systems, and related internal controls, its processes related to indirect costs and program income, and its assent legislation were adequate for Federal Aid participation. Our review also disclosed the following:

- Annual adjustments to eliminate potential duplicate license holders from the annual certifications of paid hunting and fishing license holders were based on a 1993 survey and therefore may not reflect current conditions.
- The Department did not maintain documents to support its interim billing requests for Federal Aid grant funds. Consequently, it was not possible to determine whether over billings or improper cash advances occurred during interim billings.
- The Department's inventory records for equipment acquired with license revenues or Federal Aid funds were incomplete and required physical inventories were not conducted.
- The Department claimed \$15,788 for in-kind contributions by volunteers for environmental review and geographic information system work. However, the volunteers did not always sign their time sheets.

A. Hunting and Fishing Licenses Certification

The Department's annual license certifications for fiscal years ending September 30, 1999 and 2000 included a 7.87 percent adjustment to eliminate potential duplication of hunting license holders and an 18 percent adjustment for fishing license holders. However, the adjustment factors were based on 1993 surveys that may not reflect current conditions. A part of a state's annual apportionment of grant funds is based on the number of license holders, and therefore, accurate counts are necessary to assure that each state receives its fair share of funds.

The Code of Federal Regulations [50 CFR 80.10 (c)(5)] states that an individual shall not be counted more than once as a hunting or fishing license holder. The Federal Aid Manual [522 FW 2.7(1), Grantee Administration], recommends that surveys to determine and adjust for duplicate license holders be conducted every 5 years or whenever there is a change in the license structure.

In fiscal year 1998, the Department began implementing a point of sale system to report licenses, collect sales revenue, and identify duplicate license holders. It was expected that the system would be fully operational for the 1998-99 hunting season. However, the feature of the system to estimate (or identify) duplicate license holders is not yet functioning and the Department plans to continue using the existing 1993 surveys to eliminate duplicate license holders for both the hunting and fishing license certifications.

Recommendations

We recommend that FWS ensure that the Department conducts a new survey, for both hunting and fishing license sales, to assess whether there is a need to change the current formula being used to eliminate duplicate license holders. If the point of sale duplication feature cannot be implemented, new surveys should be conducted every 5 years.

Department and U.S. Fish and Wildlife Service Responses

Departmental officials stated that it will conduct a new survey prior to the hunting and fishing license certification in the spring of 2003.

The FWS stated that it concurred with the proposed resolution, and will follow up on the implementation of the survey.

Office of Inspector General Comments

The response from the Department was sufficient for FWS to consider the recommendation resolved but not implemented.

B. Accounting Records

The Code of Federal Regulations [50 CFR 80.19(a)] states that “Financial, supporting documents, and all other records pertinent to a project shall be retained for a period of three years after submission of the final expenditure report on the project.” However, the Department does not keep documents, such as individual cost reports, to support amounts claimed in its interim billing requests. The Department retains only the reports supporting the amount claimed on the final Financial Status Report. Without these interim reports, the Department was unable to provide the total amount of costs claimed during the audit period and as a result, we were unable to obtain assurance that over billings or improper cash advances did not occur when interim billing requests were submitted for payment.

A Departmental official stated that storage space is not sufficient to retain all of the reports used to develop the interim billing requests for the grants. In addition, once the State Legislative Auditors issued their financial report on the Department, the accounting records and reports applicable to the audit period are disposed, including the documents that support the interim grant billing requests.

Recommendation

We recommend that FWS ensure that the Department maintains accurate and complete financial documents supporting interim billing requests for a period of 3 years after submission of the project’s final Financial Status Report.

Department and U.S. Fish and Wildlife Service Responses

The Department stated that it will retain documentation supporting the interim billing requests for a period of three years after submission of the project's Final Financial Status Report.

The FWS concurred with the Department's proposed resolution.

Office of Inspector General Comments

We consider the recommendation unresolved. All records that are pertinent to a project, not just documents supporting the interim billing requests, should be retained for a period of three years after submission of the final expenditure report on the project as required by the Code of Federal Regulations [50 CFR 80.19(a)]. Therefore, we are requesting that the FWS obtain that commitment from the Department as part of its corrective action plan.

C. Equipment

The Code of Federal Regulations [43 CFR 12.72(b)] requires that "A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures." The Department's Administrative Policy for Equipment Inventory (Policy Number 94-10, effective May 1, 1994, Part III, Procedure), states that all capital equipment purchased should have the Property Officer assign a property tag, forward the tag to the appropriate location, and place the item on the inventory. The Department's policy also requires that requests for disposal of equipment must be sent to the Unit Property Officer and that a complete physical inventory of non-sensitive property must be taken at least once every three years.

We found that the Department's inventory records for equipment acquired using license revenues or Federal Aid funds were incomplete. The records did not always (1) list property tag numbers; (2) identify the actual location of equipment, and (3) have adequate documentation for disposal of property. In addition, required physical inventories were not performed.

1. Property Tag Numbers. We found that the inventory listing for the Gwynnbrook Wildlife Management Area did not provide property identification numbers for 7 of 28 items tested. However, we were able to verify the existence of 5 of the items (a farm tractor, garden mower, lawn tractor, and two outboard motors) by confirming the serial number on the equipment. We were unable to verify two items (farm tractors) because they were not at the site.

2. Location. We found that 9 of the 28 items identified in the property records as being at the Gwynnbrook Wildlife Management Area were at other locations. Department property management officials said that equipment is moved around among the wildlife management areas as needed and that Gwynnbrook does not have the space to store all of its equipment. However, the Department's property records were not annotated to indicate that the items had been transferred or loaned to another management area.

3. Disposition. We could not locate a computer and monitor shown on the equipment list to be at the Forestry, Heritage, & Wildlife Service headquarters. A Department official said the items were determined to be excess property and subsequently donated to a non-profit organization. However, the official was unable to provide documentation to support the disposal/donation, and the disposition of the items was not noted on the equipment list.

4. Physical Inventories. The Department's policy is to perform a physical inventory of non-sensitive equipment on a 3-year cycle. Department officials were unable to provide documentation to support that a physical inventory has been performed within the last 3 years.

Recommendations

We recommend that FWS ensure that the Department:

1. Corrects the deficiencies related to its property records.
2. Conducts a physical inventory of non-sensitive equipment.

Department and U.S. Fish and Wildlife Service Responses

The Departmental officials stated that:

1. Property Tag Numbers. It is not practical to record inventory numbers on equipment that is subject to weather exposure and painting numbers is also not reliable. The Department added that equipment serial numbers are a more practical identification method. Departmental officials added that, "...serial numbers appear to be more than adequate."

2. Location. Departmental officials stated that, Gwynnbrook Wildlife Management Area is the regional office and maintains control over the equipment assigned to the region. As such, equipment is moved among locations within the region as needed to manage habitat and this is a practical and more cost effective solution than buying more equipment than is necessary.

3. Dispositions. Departmental officials stated that most computer equipment is typically donated to non-profit organizations. However, the officials acknowledged that they could not substantiate the donation. Consequently, the officials stated that all units have been advised that all future acquisitions of property acquired with Federal funds have to be identified as such in their inventory records and that subsequent dispositions must be fully documented.

4. Physical Inventories. The department acknowledged they were behind in the normal 3-year cycle for physical inventories, but it was being brought current as quickly as resources were available.

The FWS stated that it concurred with the Department's response, and will follow up on implementation of the items identified in the response.

Office of Inspector General Comments

We consider the Department's response sufficient for FWS to consider the recommendation regarding property tag numbers and dispositions of equipment resolved and implemented. The Department's response to the recommendation concerning the location of equipment and physical inventories are sufficient for FWS to consider the recommendation resolved, but not implemented.

D. In-Kind Contributions

The Code of Federal Regulations [43 CFR 12.64(b)(6)] states, "To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs." In addition, an instruction on the form used by the Department to track hours worked by the volunteers shows that the form is to be signed by the volunteer. However, we found that the volunteers on grant W-64-T did not always sign the timesheets. The supervisor of the volunteers filled out 45 timesheets for 27 volunteers claiming 884 hours worked, with a value of \$15,788. The only signature was that of the supervisor. The supervisor indicated that he did not follow the form's instructions because he did not want to burden the volunteers with filling out timesheets.

Recommendation

We recommend that FWS ensure that the Department requires all volunteers sign their timesheets.

Department and U.S. Fish and Wildlife Service Responses

The Department stated in the future, in-kind volunteers would be required to sign their respective time cards.

The FWS stated that it concurred with the Department's response.

Office of Inspector General Comments

We consider the Department's response sufficient for FWS to consider the Department's response resolved and implemented.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with written comments by April 28, 2003 regarding the status of the FWS Corrective Action Plan. 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 5
U.S. Fish and Wildlife Service

APPENDIX

**FINANCIAL SUMMARY OF REVIEW COVERAGE
STATE OF MARYLAND, DEPARTMENT OF NATURAL RESOURCES
FISCAL YEARS 1999 AND 2000**

GRANT NUMBER	GRANT AMOUNT	FEDERAL PAYMENTS
E-4	\$156,222	\$133,000
F-41-D	659,000	243,962
F-42-R	2,012,910	773,800
F-45-R	300,842	133,629
F-47-E	847,421	400,494
F-48-R	2,136,070	1,164,353
F-50-R	418,642	275,677
F-53-D	2,898,213	1,520,145
F-54-R	2,168,456	975,319
F-55-D	147,711	54,611
F-56-R	342,823	103,066
F-57-R	384,549	38,162
F-58-R	140,622	17,723
V-1	1,951,052	270,707
V-3	1,253,334	4,595
V-4	896,000	300,245
V-5	679,000	117,738
W-61-R	1,940,000	1,226,589
W-62-D	2,360,000	1,493,514
W-63-C	140,000	88,719
W-64-T	1,736,000	1,002,357
W-65-S	860,000	544,830
TOTALS	\$24,428,867	\$10,883,235

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