



United States Department of the Interior


OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

April 8, 2003

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 District of Columbia, Environmental Health Administration, Bureau of Environmental Quality, Fisheries and Wildlife Division, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1996 through September 30, 1998 (No. 2003-E-0021)

Introduction

This report presents the results of our performance of procedures to review another audit agency's work related to costs claimed by the District of Columbia Environmental Health Administration, Bureau of Environmental Quality, Fisheries and Wildlife Division (Division), under Federal Aid grants from the U.S. Fish and Wildlife Service (FWS) for the period October 1, 1996 through September 30, 1998. The Division was under the Department of Consumer and Regulatory Affairs during fiscal year 1997 but became part of the Environmental Health Administration, Bureau of Environmental Quality, in fiscal year 1998.

Background and Scope

The Federal Aid in Sport Fish Restoration Act, as amended (16 U.S.C. 777) (the Act), authorizes FWS to cooperate with the Mayor of the District of Columbia (District) to provide Federal Aid grants to the District to enhance its sport fish program. The Act provides that FWS cannot require the District to pay an amount that will exceed 25 percent of the costs of any project. Additionally, the Act specifies that fishing license revenues cannot be used for any purpose other than the administration of the District's fish and game departments. FWS also provides grants under the Clean Vessel Act and the Endangered Species Act. The District is not included in the list of entities eligible for grants under the Federal Aid in Wildlife Restoration Act, as amended (16 U.S.C. 669).

Prior to September 2001, another audit agency prepared an undated draft audit report on its audit of Federal Aid grants awarded by the FWS to the Division for fiscal years 1997 and 1998. The scope of its audit work, as stated in the announcement letter to the Division, was to evaluate (1) the adequacy of the Division's accounting system as it relates to the accumulation and reporting of costs charged to grants; (2) the adequacy of the Division's purchasing system and related internal controls as they pertain to FWS Federal Aid grant agreements; (3) the adequacy and reliability of the Division's license fees collection and disbursement system; and (4) the allowability and eligibility of direct costs claimed on grants. The audit was also to include an evaluation of other issues or systems considered sensitive and/or significant to FWS. The audit work at the Division covered claims totaling \$2.3 million on FWS grants that were open during the Division's fiscal years ended September 30, 1997 and 1998 (see the Appendix). However, the audit agency's agreement with the FWS expired before the audit agency issued its draft report, and the Division 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 audit agency, which expired September 30, 2001. 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 audit agency indicated in a September 26, 2001 memorandum that its supervisors had not reviewed the working papers for the audit of the District 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 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 the findings substantiated in the working papers. We did not perform any additional audit work of the Division'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 Division's accounting system and related internal controls in effect during fiscal years 1997 and 1998 were adequate for the accumulation and reporting of costs under Federal Aid grants. The working papers also concluded that the Division's other systems and related internal controls in effect during the audit period related to purchasing, the distribution of labor costs, grant compliance, and certification of the accuracy of the number of fishing licenses were adequate for Federal Aid participation. In addition, the working papers identified \$559,334 of questioned costs and commented on the need for a revision to the District's assent legislation to include a provision that prohibits the diversion of license revenues.

A. Questioned Costs

Of the \$2,324,460 claimed by the Division for fiscal years 1997 and 1998, the working papers identified questioned costs of \$559,334 applicable to (1) indirect costs, (2) matching contributions, and (3) unidentified costs.

1. Indirect Costs. The Federal Aid in Sport Fish Restoration Act (Act), 16 U.S.C. 777 § 6(c), requires that “Administrative costs in the form of overhead or indirect costs for services provided by State central service activities outside of the State fish and game department charged against programs or projects supported by funds made available under this Act shall not exceed in any one fiscal year 3 per centum of the annual apportionment to the state.” The working papers showed that the Division did not consider the 3% central services limitation in developing its indirect cost (overhead) rates. However, the working papers did not include sufficient information to allow us to determine whether the amounts included in the rates for central service activities exceeded the 3 percent limitation. Accordingly, we classified the entire amounts claimed for indirect costs for fiscal year 1997 (\$157,416) and 1998 (\$143,744) as unsupported, as follows:

Fiscal Year	Grant Number	Unsupported Costs
1997	F-1-C-12	\$45,022
1997	F-2-R-12	81,705
1997	F-4-E-11	30,689
	Total	<u>\$157,416</u>
1998	F-1-C-13	\$19,698
1998	F-2-R-13	81,710
1998	F-4-E-12	42,336
	Total	<u>\$143,744</u>

2. Matching Contributions. Costs of \$231,633 claimed as matching contributions were questioned because the Division could not provide adequate documentation to support the amounts claimed, as follows:

Grant Number	Unsupported Costs
F-2-R-13	\$114,699
F-2-R-12	77,662
F-1-C-13	39,272
Total	<u>\$231,633</u>

3. Unidentified Direct Costs. Costs of \$26,541 claimed by the Division were questioned because the Division did not provide supporting documentation for those costs. Specifically:

- The working papers listed the following selected transactions as unsupported because requested source documents were not provided. Accordingly, we classified the \$22,527 as unsupported costs.

Grant Number	Date	Transaction ID	Source Code	Amount
F-2-R-13	2/01/98	JECACRSJ9802	FS-98	\$10,528
F-2-R-13	2/01/98	JECACRSJ9802	FS-98	2,565
F-2-R-13	9/01/98	JEGEBFG84803	FS-98	2,100
Subtotal				<u>\$15,193</u>
F-1-C-13	2/01/98	JECACRSJ9802	FM-98	\$5,384
F-1-C-13	5/01/98	VOCECRG98230	FM-98	750
F-1-C-13	9/01/98	JEGEBFG84803	FM-98	1,200
Subtotal				<u>\$7,334</u>
Total				<u><u>\$22,527</u></u>

- The draft report in the working papers stated that for Grant F-4-E-11, “The grantee claimed \$12,659 in non-personnel cost. Based on our analysis of the grantee’s accounting records we verified only \$8,645 in non-personnel expenditures which includes \$2,100 paid with license revenues (code 2484). The grantee has not provided an explanation for the variance in amounts. We classify and questioned this cost [\$4,014] as unsupported.”

Recommendation

We recommend that FWS:

1. Require the Division to determine whether its indirect cost rates for fiscal years 1997 and 1998 are in compliance with the 3 percent limitation on central service costs, recompute the rates if necessary, and reimburse FWS for any overcharges for indirect costs.
2. Resolve the \$231,633 of unsupported matching contributions.
3. Resolve the \$26,541 of unidentified and unsupported direct costs.

B. Assent Legislation

Our review of the working papers showed that the Division's current assent legislation states "Revenues from a licensing regulatory scheme under this section shall be used only for protecting and managing aquatic life." The assent legislation does not, however, specifically include a prohibition against the diversion of license revenues paid by sport fishermen to purposes other than the administration of the Fisheries and Wildlife Division. This prohibition is required by the Code of Federal Regulations (50 CFR 80.3).

Recommendation

We recommend that FWS require that the District's legislation be amended to include the specific prohibition required by the regulations (50 CFR 80.3).

At the closeout conference held on November 7, 2002, officials of the Fisheries and Wildlife Division (1) requested additional information to assist them in resolving the unsupported costs with FWS, and (2) concurred with the assent legislation finding and recommendation. However, the Division did not provide a written response to the draft report, which was due on January 30, 2003. Accordingly, all of the recommendations are considered unresolved.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written comments regarding the unresolved recommendations by July 11, 2003. If you have any questions regarding this report, please contact Mr. Gary W. Dail, Federal Assistance Audit Coordinator, at (703) 487-8011.

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

**DISTRICT OF COLUMBIA
ENVIRONMENTAL HEALTH ADMINISTRATION
FISHERIES AND WILDLIFE DIVISION
SCHEDULE OF GRANT COSTS AND QUESTIONED COSTS
FOR FISCAL YEARS 1997 AND 1998**

GRANT	GRANT AMOUNT	AMOUNT CLAIMED	QUESTIONED COSTS	BALANCE	NOTES
F-1-C-12	\$326,826	\$231,138	\$45,022	\$186,116	1
F-1-C-13	326,196	157,090	66,304	90,786	2
F-2-R-12	498,815	491,954	159,367	332,587	3
F-2-R-13	525,543	458,795	211,602	247,193	4
F-4-E-11	249,036	139,948	34,703	105,245	5
F-4-E-12	303,399	245,535	42,336	203,199	6
F-6-D-6	60,000	0	0	0	
F-6-D-7	60,000	0	0	0	
F-9-D-2	22,000	0	0	0	
F-10-D-1	800,000	600,000	0	600,000	
V-1-1	320,000	0	0	0	
V-2-1	91,734	0	0	0	
TOTAL	\$3,583,549	\$2,324,460	\$559,334	\$1,765,126	

Notes:

1. Questioned costs of \$45,022 are for unsupported indirect costs (Questioned Costs, 1).
2. These questioned costs include \$19,698 for unsupported indirect costs; \$39,272 for unsupported matching contributions; and \$7,334 for unidentified direct costs (Questioned Costs, 1, 2, and 3, respectively).
3. These questioned costs include \$81,705 for unsupported indirect costs and \$77,662 for unsupported matching contributions (Questioned Costs, 1 and 2, respectively).
4. These questioned costs include \$81,710 for unsupported indirect costs; \$114,699 for unsupported matching contributions; and \$15,193 for unidentified direct costs (Questioned Costs, 1, 2, and 3, respectively).
5. These questioned costs include \$30,689 for unsupported indirect costs and \$4,014 of unexplained non-personnel costs. (Questioned Costs, 1 and 3, respectively).
6. Questioned costs of \$42,336 are for unsupported indirect costs (Questioned Costs, 1).

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