



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

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Grants
Administered by the State of
Florida Fish and Wildlife
Conservation Commission
from July 1, 2000, through
June 30, 2002**

Report No. R-GR-FWS-0020-2003

February 2004



United States Department of the Interior

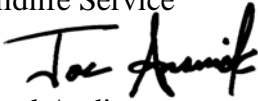
OFFICE OF INSPECTOR GENERAL

External Audits
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

February 25, 2004

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Joe Ansnick 
Director of External Audits

Subject: Final Audit Report on the State of Florida Fish and Wildlife Conservation
Commission from July 1, 2000, through June 30, 2002
(Report No. R-GR-FWS-0020-2003)

This report presents the results of our audit of costs incurred by the State of Florida Fish and Wildlife Conservation Commission (Commission) under its hunting and fishing programs and costs claimed under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS) for the period July 1, 2000, through June 30, 2002 (see Appendix 1).

Our findings include questioned costs of \$895,511. In addition, we found that the Commission did not report program income of \$620,212, did not account for and report as program income the value of work provided by lessees in lieu of rental payments, and misused land acquired with Federal Assistance funds. We also noted that improvements are needed in the maintenance of grant accounting records, project level accounting, and charging of employee overtime costs.

The Commission and FWS Region 4 responded to a draft of this report on January 8, 2004. The Region concurred with 8 of the report's 14 recommendations. We modified the findings and recommendations as necessary to clarify the issues and to incorporate any additional information provided. We have added the responses after our recommendations and summarized the status of the recommendations in Appendix 3.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written response by May 26, 2004, to the recommendations included in this report. Your response should include information on actions taken or planned, including target dates and titles of officials responsible for implementation. If you have any questions regarding this report, please contact me or Mr. Richard O'Brien, Audit Team Leader, at (703) 487-5345.

cc: Regional Director, Region 4, U.S. Fish and Wildlife Service

INTRODUCTION

Background and Scope

The Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C. 669), and the Dingell-Johnson Sport Fish Restoration Act, as amended (16 U.S.C. 777) (the Acts), authorize FWS to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the 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.

We performed an audit of hunting and fishing license revenue and Federal Assistance grants to the State of Florida at the request of FWS. The objective of our audit was to evaluate: (1) the adequacy of the Commission's accounting system and related internal controls; (2) the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS; (3) the adequacy and reliability of the Commission's hunting and fishing license fee collection, certification, and disbursement process; (4) the adequacy of the Commission's asset management system and related internal controls with regard to purchasing, maintenance, control, and disposal; and (5) the adequacy of the Commission's compliance with the Acts' assent legislation requirements. The audit also included a review of other issues considered sensitive and/or significant by FWS. The audit included claims totaling approximately \$41.6 million on FWS grants that were open during the State's fiscal years ended June 30, 2001, and 2002.

Our audit was performed 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 we considered necessary under the circumstances. Our tests included an examination of evidence supporting selected expenditures charged by the Commission to the grants and interviews with employees to ensure that all personnel costs charged to the grants were allowable. We reviewed the audit work performed by other auditors, including the working papers and summaries for the Commission's (1) certification of hunting and fishing license holders for fiscal years 2001 and 2002, and (2) use of fishing and hunting license revenues for fiscal years 2001 and 2002 to determine whether the revenues had been used for program purposes. We did not evaluate the economy, efficiency, and effectiveness of the Commission's operations.

Our audit was performed at the Florida Fish and Wildlife Conservation Commission's headquarters and business office in Tallahassee and the Region 4 South Office in West Palm Beach, Florida. We also visited the Florida Marine Research Institute, the Joe Budd Aquatic Education Center, the Region 5 Northeast Hunter Education and Training Center and Shooting Range, the Fred C. Babcock/Cecil M. Webb Shooting Range, the Tenoroc Fish Management Area, and several wildlife management areas and boat ramps (see Appendix 2).

Prior Audit Coverage

On January 28, 1998, we issued audit report No. 98-E-232, “Audit of U.S. Fish and Wildlife Service Federal Aid Grants to the State of Florida, Game and Fresh Water Fish Commission for Fiscal Years 1995 and 1996.” Other auditors conducted annual single audits of the State’s financial statements and Federal financial assistance for fiscal years 2001 and 2002. In addition, the Commission’s internal auditor issued a follow-up report on employee time charges during the period covered by our review.

We reviewed these reports and followed up on all findings to determine whether they had been resolved prior to our review. One finding, relating to improper payroll allocation, is included in our report because it had not been satisfactorily resolved and errors affecting the allocation of employee overtime and compensatory time existed during the period covered by our audit.

RESULTS OF AUDIT

Except for the issues identified below, we concluded that the Commission's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements; direct and indirect costs were adequately recorded and supported; the asset management system accurately identified and tracked personal and real property with regard to acquisition, control, and disposal; and the State also had adequate legislation that assented to the provisions of the Acts and prohibited the use of license fees for anything other than the administration of the Fish and Wildlife Conservation Commission.

We questioned grant costs totaling \$895,511 (\$671,633 Federal share) for:

- Ineligible campground construction costs of \$504,582 (\$378,436 Federal share)
- Costs of \$179,574 (\$134,680 Federal share) charged to the wrong project
- Costs of \$156,981 (\$117,736 Federal share) incurred outside of the grant's period of performance
- Ineligible costs of \$32,789 (\$24,592 Federal share)
- Unallowable awards to volunteers totaling \$21,585 (\$16,189 Federal share)

In addition, we found that:

- The Commission did not report program income of \$620,212
- The Commission allowed recreational use at the Babcock/Webb Wildlife Management Area, which resulted in a misuse of land acquired under the Federal Assistance Program
- Improvements were needed in the maintenance of grant accounting records
- The Commission did not accumulate cost data at the project level as required
- Payroll allocations of employee overtime costs continue to be a problem

A. Campground Construction

The Commission claimed \$504,582, under Grant W-35-51, to rehabilitate a campground and to construct picnic tables and shelters that were not allowable wildlife-associated recreation. OMB Circular A-87, Attachment A, Section C.1.d states that to be allowable under Federal awards, costs must conform to limitations or exclusions specified in the Circular, Federal laws, and terms of the Federal award. Section 4(d)(4)(B) of the Wildlife Restoration Act provides for state expenditures on wildlife-associated recreation and Section 2(5) includes wildlife-associated recreation activities such as hunting and fishing, construction or restoration of wildlife viewing areas, observation towers, blinds, platforms, land and water trails, water access, trailheads, and access for such activities. Because campgrounds, picnic tables, and shelters were not included, we questioned \$504,582 claimed for the construction of these items.

Recommendation

We recommend that FWS resolve the \$504,582 of questioned costs.

Commission Response

Commission officials agreed with the finding and determined that the management area should not have been included in Grant W-35-51. They notified FWS that they would amend the appropriate Financial Status Reports, SF-269s, to remove all costs associated with the management area, including the campground construction.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

We consider the response sufficient to consider this finding resolved. FWS should identify a target date and an official responsible for implementation of the recommendation.

B. Costs Charged to the Wrong Project

The Commission charged \$359,147 to Grant W-35-51 (project 7275) for paving a road between the Apalachicola Wildlife Environment Area and the Tate's Hell Wildlife Management Area. Although the road divided the two Areas, the costs of paving were charged to project 7275, which was for the management of the Apalachicola Wildlife Environment Area.

Because Grant W-35-51 required costs to be accounted for by project and the road lies half on Apalachicola and half on Tate's Hell, the costs should have been borne equally by each Area. Accordingly, the costs of paving the portion of the road located in the Tate's Hell was not a proper charge to project 7275 and should have been claimed under project 7265 of the same grant, which was for the management of the Tate's Hell Wildlife Management Area. OMB Circular A-87, Attachment A, Section C.1.d states that, to be allowable under Federal awards, costs must conform to limitations or exclusions specified in the Circular, Federal laws, and terms of the Federal award. We concluded that one-half of the paving costs claimed did not conform to the grant requirements that costs be accounted for by project. Therefore, \$179,574 (one-half of \$359,147) in paving costs was not allocated to the correct project. Accordingly, we questioned \$179,574 of costs claimed under Grant W-35-51 because they were not allocable to project 7275 and thus, were unallowable.

Recommendation

We recommend that FWS resolve the \$179,574 of questioned costs.

Commission Response

Commission officials agreed that the costs should be split between the two Areas. However, since the deficiency was a coding error, the Commission sees no need to reallocate the costs within the same grant (W-35-51).

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

We consider the responses inadequate to resolve the finding. Grant W-35-51 required project level accounting. Therefore, FWS should reconsider its response and either require the Commission to correct the project coding or amend the Grant to eliminate this requirement.

C. Out-of-Period Costs

We questioned \$156,981 in out-of-period costs because the Commission maintained its accounting records on a modified accrual basis but prepared the annual Financial Status Reports, SF-269s, on a cash basis, and reported expenditures when paid, not when services or merchandise was received.

Federal regulations for the administration of grants stipulate that, where a funding period is specified, a grantee may charge to the award only costs resulting from the obligations of the funding period [43 CFR § 12.63(a)]. Further, 43 CFR § 12.90 requires that the grantee submit all financial, performance, other reports required by the grant, and the final SF-269 supporting the final payment within 90 days after the expiration or termination of the grant. Each grant had a specified period of performance, and there was no evidence that FWS had extended the periods specified. Accordingly, obligations should have been liquidated within 90 days of the end of the grant period. For example, if costs incurred for a grant were paid after the end of the grant period, those costs cannot be reported and claimed under the subsequent grant. However, this occurred on Grants W-5-10 and W-35-51, where we questioned \$156,981 of costs that were incurred prior to the period of performance for the grant under which they were claimed (\$4,536 for Grant W-5-10 and \$152,445 for Grant W-35-51).

Recommendation

We recommend that FWS resolve the \$156,981 of questioned costs.

Commission Response

Commission officials stated that the out-of-period costs were allowable because the SF-269 was prepared on a cash basis and that FWS approved the practice. However, the

Commission could not confirm FWS approval and plans to request FWS acceptance to continue reporting grant expenses on a cash basis.

FWS Response

FWS concurred with the finding, disagreed with the Commission's response and stated that Federal Assistance grants have a specific funding period and that carryover of funds is not allowed. Consequently, the Commission must report expenditures applicable to the grant under which they are incurred, and not based on when payments are made.

Office of Inspector General Comments

We consider the response sufficient to consider this finding resolved. FWS should identify a target date and an official responsible for implementation of the recommendation.

D. Ineligible Costs

An unpaid invoice for \$32,789 was included in the claimed costs for Grant W-35-51. Because the costs were never incurred, it was improper for them to be claimed. We found that the adjustment to cancel the unpaid invoice was not processed because it did not contain the correct project number. Accordingly, we questioned the \$32,789 claimed under Grant W-35-51.

Recommendation

We recommend that FWS resolve the \$32,789 of questioned costs.

Commission Response

Commission officials agreed with the finding and determined that the costs should not have been included in Grant W-35-51. They notified FWS that they would amend the appropriate SF-269 to reduce the costs claimed by \$32,789.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

We consider the response sufficient to consider this finding resolved. FWS should identify a target date and an official responsible for implementation of the recommendation.

E. Awards to Volunteers

The Commission awarded firearms, direction finders, and other items each exceeding \$100 in cost, and five-year hunting or fishing and one-year combination game/fishing licenses to Hunter Education program volunteers. The costs of the awards totaled \$21,585 in fiscal year 2002. The Commission claimed the costs of the licenses under Grant W-5-10 and included the hours worked by the award recipients in the count of unpaid volunteer hours. Furthermore, the Commission included the hunting, fishing, and combination licenses in its certification of licenses sold in license year 2002.

A Florida statute prohibited high-value awards (over \$100 in value). OMB Circular A-87, Attachment A, section C.1.c states, that to be allowable under Federal awards, costs must be authorized or not prohibited under State law or regulations. Furthermore, the cost of the volunteer hours were, in effect, claimed twice because (1) the unpaid volunteers received compensation in the form of awards, and (2) the hours necessary to receive award compensation were claimed as in-kind match for Federal Assistance reimbursement. If the Commission is allowed to claim the awards, then the volunteer hours would not be allowable as an in-kind match for the Hunter Education grant under the rationale that costs cannot be claimed twice. In addition, by counting the awarded hunting and fishing licenses in its certification of licenses sold, the Commission overstated its count for 2002, resulting in the possibility of a larger apportionment of Restoration Act funding in 2003 than it was entitled to. Accordingly, we questioned the \$21,585 in improper awards.

Recommendation

We recommend that FWS resolve the \$21,585 of questioned costs.

Commission Response

Commission officials agreed with the finding and stated that Volunteer awards are now in compliance with State law, and that no licenses of any type will be purchased with agency funds. The Commission plans to amend the final SF-269 for Grant W-5-10 to exclude the questioned costs.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

We believe the Commission's proposed corrective action is appropriate. We consider the response sufficient to consider this finding resolved. FWS should identify a target date and an official responsible for implementation of the recommendation.

F. Program Income

During our site visits and review of the Commission's revenue accounts, we identified \$620,212 of unreported program income from day use fees at various fish and wildlife management areas (\$207,244); Everglades Youth Camp revenues (\$392,968); and a land lease (\$20,000) at the Corbett Wildlife Management Area.

According to 43 CFR § 12.65, program income is gross income received by a grantee directly generated by a grant supported activity. Revenue produced from wildlife management areas should be considered program income and used to fund the costs of managing the areas whenever grants for the operation and maintenance of those wildlife management areas have been awarded. 43 CFR § 12.65(g) provides that the granting agency decides whether the program income should be used to reduce the costs of the program or be used to increase the size of the program. In addition, 43 CFR § 12.65(c) states that if authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. A schedule of unreported program income generated for the period covered by our review follows:

Program	Grant Number		Total
	W-35-50	W-35-51	
Day Use Fees	\$103,479	\$103,765	\$207,244
Youth Camp	193,283	199,685	392,968
Land Lease	10,000	10,000	20,000
Totals	\$306,762	\$313,450	\$620,212

The Commission did not report revenue from day use fees because the Commission requested and received a reporting waiver from FWS Region 4, which indicated that revenues from day use fees were not considered program income because they were considered to be permits. Commission officials told us that Youth Camp expenses normally exceed income and they were not aware of the land lease. As a result, revenue from the youth camp and the lease was not reported as program income.

According to 50 CFR § 80.4(a)(1), a permit is a form of charge imposed by a State to hunt or fish. Since day use fees were general entrance fees and did not entitle visitors to the wildlife management areas to hunt or fish, we believe that FWS Region 4 should not have granted a waiver from the program income reporting requirement. A formal hunting or fishing permit was not issued, and cash deposited from the fees was not reported in the annual license certification. The program income requirement serves to assure that the income earned from a grant supported activity is used to reduce program outlays or to enhance grant program objectives. Although the day use fees were deposited into the State Game Trust Fund, that fund was used for law enforcement and fish activities as well as wildlife activities, so there is no assurance that the day use fees were used to enhance the specific objectives of Wildlife Restoration Grant W-35-51.

Because this program income was not reported, the magnitude of the fees and the lease revenue was not known to FWS, and, as a result, FWS did not have the opportunity to decide whether the program income should be used to reduce program outlays or to enhance grant program objectives.

With regard to youth camp revenues, the intent of the regulation is that gross income, not net income, be reported unless costs incident to the generation of the revenue are netted out, and then only if Federal regulations or the grant agreement provided for the offset. No Federal regulations existed that allowed netting of the incidental costs, and the Grant did not provide for it. Despite the Commission's assertion that youth camp costs normally exceeded youth camp revenue, we found that the Commission did not offset youth camp costs with youth camp revenues. The provision to offset youth camp costs with youth camp revenue would have had to have been included in the grant proposal and approved by the FWS in the grant agreement., the youth camp costs would have had to have been incidental to the generation of the youth camp revenue, and the costs would have had to have been greater than the revenue in both years in order for the Commission to avoid reporting this program income.

Recommendations

We recommend that FWS:

1. Resolve the \$620,212 of unreported program income.
2. Notify the Commission that, in the future, it should identify estimated day use fees, youth camp revenue, and land lease income in its applications for Federal Assistance and report actual fees, revenues and income on the applicable SF-269s.

Commission Response

Except for the youth camp revenue, Commission officials agreed with the finding and notified FWS that they would adjust the appropriate SF-269s for day use fees and land lease revenue.

As to the youth camp revenue, Commission officials cited 43 CFR § 12.65 (b) which defines program income as gross income received by the grantee or sub-grantee directly generated by a grant-supported activity, or earned as a result of the grant during the grant period. The Commission maintains that since there were no Wildlife Restoration funds used for the operation of the youth camp, there was no program income generated.

FWS Response

FWS Region 4 agreed with the Commission's actions.

Office of Inspector General Comments

We could not confirm that the camp was not maintained with Federal Assistance funds. However, the management area's current five-year management plan does not exclude the youth camp from the Federal Assistance grant for the operation and management of its wildlife management areas. Therefore, we concluded that the youth camp revenues should be reported as program income of Grants W-35-50 and W-35-51. Accordingly, we consider the finding unresolved and FWS should address this finding in its corrective action plan.

G. Misuse of Land

The Commission allows mixed public use of its wildlife management areas (WMAs) on a year-round basis. At eight of the nine WMAs we visited, most public use affected a very small geographical area and may not have impacted wildlife restoration and management. However, on one wildlife management area, the Commission allowed approximately one-third of the wildlife area to be used for public recreational activities.

FWS Director's Order Number 152, issued July 1, 2003, provides guidance as to the recreational activities and related facilities allowed on Federal Assistance lands. The guidance applies to land acquired with Federal Assistance funds, regardless of when the land was acquired, and is based on the Acts and related Code of Federal Regulations. Section 5a of the Order states that "The State fish and wildlife agency is prohibited from allowing recreational activities and related facilities that would interfere with the purpose for which the land was acquired or developed, or is managed." Section 5b of the Order cites hunting, fishing, wildlife photography and viewing platforms as examples of allowable activities; bicycling, swimming, kennels, stables, horseback riding, and weddings are examples of activities that may be allowed if it is shown that they will not interfere with the purpose for which the land was acquired or developed, or is managed. These examples agree with the allowable activities contained in Section 4 of the Wildlife Restoration Act which was in effect during our period of review.

The Commission acquired the Babcock/Webb WMA with Pittman Robertson Wildlife Restoration Act funds between 1941 and 1957. However, neither the Commission nor FWS Region 4 was able to provide the acquisition grants so we could determine the purpose for which the WMA was acquired. During our site visit to the WMA located near Fort Myers, Florida, we observed that the Commission allowed the use of about 23,000 acres (35 percent) of the 65,770 total acres for recreational or mixed use purposes. At all of the other WMAs we visited, recreational or mixed use was less than one percent of the total acreage. We believe that the use of such a large amount of WMA acreage for recreation/mixed use purposes may negatively impact the wildlife habitat.

The Commission did not agree that a misuse occurred because the Commission disclosed the intended use in its W-35-50 and W-35-51 grant agreement proposals which FWS approved when it completed the Intra Service Section 7 Biological Evaluation Form (Section 7 Review) as part of the annual grant approval process.

Based on our review of Section 7 Review documents provided by FWS, we concluded that FWS approved the activities on an individual basis over a long period of time. However, we believe that the recreational and mixed use activities cited are incompatible with the purpose for which this land was originally acquired.

Recommendations

We recommend that FWS determine:

1. The purpose for which the Babcock/Webb Wildlife Management Area was acquired.
2. Whether the recreational activities conducted at the Babcock/Webb WMA have had a negative effect on the wildlife habitat or the other purpose(s) for which the land was acquired.

Commission Response

The Commission did not concur with the finding and responded that the land in question at Babcock/Webb has always been managed consistent with the purpose of the acquisition. The Commission indicated it would defer to the Region 4 Federal Aid staff to further address this finding.

FWS Response

FWS Region 4 concurred with the Commission's response and concluded that the Region's interpretation of Director's Order Number 152 prevails. It added that the Babcock/Webb WMA consists of approximately 65,770 acres of which approximately 43,000 acres are closed to the public except for hunters during regular hunting seasons. The remaining 23,000 acres are used for a variety of recreational uses except during the hunting seasons, when it is open only to hunters. Since the WMA is located near a major metropolitan area (Fort Myers) and there is heavy usage of the area, the Commission has implemented these rules in an effort to control the allowable recreational use of the land.

The Region stated that the auditors concluded that since 23,000 acres was available for recreational use it constituted a diversion of use. The auditor's conclusion was based on their interpretation of Section 5 of Director's Order 152, "Allowable Recreational Activities and Related Facilities on Federal Assistance Lands." However, it should be recognized that the individual uses cited in the draft report are on a very small part of the total 23,000 acres. In fact, most of the uses are located near the entrance of the WMA and Webb Lake which are located in the Southeast corner of the WMA. It was the Region's opinion, after reviewing the Application for Federal Assistance and Annual Reports submitted by the Commission, that these activities do not interfere with the purpose for which the land was acquired, developed, or managed because hunters have not been impaired and wildlife management has not been adversely affected.

The Region cited Section 7 of the Director's order which states that the state fish and wildlife agency has responsibility for the accounting and control of all assets, and has first responsibility to determine if a recreational activity or related facility interferes with the purpose for which the land was acquired or developed, or is managed (50 CFR § 80.18). The Region concluded, based on their review of the facts, that the Commission had not engaged in a diversion of use, and that this finding should be removed from the final audit report.

Office of Inspector General Comments

As a result of the Commission and FWS comments we revised the recommendations. We continue to believe that in order to determine if 35 percent of the WMA should be used for recreational activities, the original purpose for which the land was acquired must be determined. In addition, we are unconvinced that these recreational activities do not have a negative impact on the wildlife habitat or other purpose(s) for which the land was acquired. Therefore, we believe FWS should reconsider its response to the finding and recommendations.

H. Retention of Accounting Records

The Commission's Bureau of Accounting Services did not maintain adequate support for expenditures claimed on Financial Status Reports (SF-269s) for its Federal Assistance programs. The Commission's accountants could not provide us with detailed grant expense data for one of the eight fiscal year 2002 grants we selected for review, and could not retrieve any 2001 grant expense records from the system. We were able to satisfy our audit requirements by relying on the State's Single Audit for fiscal year 2001 and using other methods for fiscal year 2002.

According to 50 CFR§ 80.19 (a), grantees must retain detailed grant accounting data for a minimum of three years after each grant's final expenditure report.

Recommendations

We recommend that FWS:

1. Require the Commission to maintain easily retrievable transaction-detailed accounting records supporting all receipts and disbursements related to license fees and Federal Assistance grants for at least three years as required by 50 CFR§ 80.19 (a).
2. Require the Commission to develop a method to ensure that a detailed list of transactions, reconciled to the official accounting records, is prepared and retained in the Commission's official accounting records for each Federal Assistance grant.

Commission Response

The Commission responded that, as required by 50 CFR § 80.19(a), it has and continues to maintain transaction-detailed accounting records supporting all receipts and disbursements related to license fees and Federal Assistance grants. The information requested by and provided to the auditors reflected expenditures made on the ten wildlife management areas that they visited. If required, documentation for all other expenditures can be retrieved and provided. In the future, a disc containing the detail transaction information, as well as the final cost sheet and SF-269, will be placed with each grant folder.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

FWS concurred with the finding and proposed corrective action. We consider the response sufficient to consider the finding resolved and the recommendations implemented. No further response to this finding is required.

I. Project Level Accounting

The Commission submitted proposals for Grants W-35-50 and W-35-51 that included budgets for 89 projects. These proposals were accepted by FWS, made a part of the grant agreements by reference, and as a result, the grant agreements required that costs be accumulated and reported at the project level.

According to 43 CFR § 12.60, financial management systems must permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The Commission was unable to provide us with project costs for each project approved under Grants W-35-50 and W-35-51. We found that the Commission's Grant Cost Sheet for Grant W-35-51 (its accounting records) did not accumulate costs by project. Also, the Chief of the Commission's Wildlife Division prepared the annual performance report for Grant W-35-51 by species, which did not reconcile to the line items in the Commission's SF-269s. As a result, we could not determine whether the costs claimed complied with the 43 CFR § 12.70(c)(ii) requirement that no more than ten percent of total budgeted costs could be transferred between projects without prior approval by FWS (the ten percent rule).

Recommendations

We recommend that FWS:

1. Require the Commission to accumulate and report cost data at the project level for Grant W-35-51 and compare the actual costs to the budgeted costs.
2. In the future, either require the Commission to accumulate cost data at the project level, compare the actual costs to the budgeted costs for each project, and obtain prior approval from FWS for any changes in budgeted project costs expected to exceed ten percent of the total grant budget in accordance with 43 CFR § 12.70(c)(ii) or eliminate the requirement for project level accounting in future grant agreements.

Commission Response

Commission officials agreed with Recommendation 2 and stated that the Commission has modified its reporting system to accumulate and report cost data at the project level, with the ability to compare actual costs to budgeted costs. In the future, the Commission will obtain prior approval from FWS for changes expected to exceed ten percent of the total grant award.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

We revised Recommendation 1. Accordingly, FWS should address this recommendation.

Since the Commission and FWS concurred with Recommendation 2 and proposed corrective action, the response is sufficient to consider the recommendation implemented. No further action is required.

J. Labor – Payroll Allocations

A finding reported in the last two single audits, and in a follow-up review conducted by the Commission's Inspector General's office, indicated that the Commission needed to change its method of allocating overtime and compensatory time (unpaid time off) to Federal grants. To resolve that finding, the Commission stated that it would develop an allocation method. At the time of our review, an allocation method had not yet been developed. OMB Circular A-87 Attachment B, Section 11.d (2), indicates that the costs of authorized absences, such as earned overtime and accrued compensatory time, are allowable if they are equitably allocated to all related activities including Federal awards.

We did not question any payroll charges because we found that few employees charging time to Federal Assistance grant projects earn or take overtime or compensatory time. However, the

allocation deficiency still existed and is a problem for time charges of the Commission's law enforcement officers. We did not quantify the effect this issue had on law enforcement charges to the license fee fund. If the Commission does not change its method of allocating overtime and compensatory time, it runs the risk of misallocating those charges to future Federal Assistance grants and license fee funds.

Recommendation

We recommend that FWS require the Commission to modify its existing payroll system to equitably allocate overtime and compensatory time off to Federal Assistance grants and to the license fee fund.

Commission Response

Commission officials agreed with the finding and stated that the Commission has already completed modifications to its existing payroll system to allow for equitable allocations of overtime and compensatory time off to Federal Assistance grants and to the license fee fund.

FWS Response

FWS agreed with the Commission's actions.

Office of Inspector General Comments

The Commission and FWS concur with the finding and recommendation. Accordingly, FWS should request a copy of the State Auditor's current audit report to confirm that the appropriate corrective action has been taken. We consider the response sufficient to consider this finding resolved but we consider the recommendation not implemented. FWS should identify a target date and an official responsible for implementation of the recommendation.

**FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs		Notes
			Total	Federal Share	
F-01-50	\$86,505	\$36,915			
F-01-51	101,263	18,719			
F-42-15	527,714	501,936			
F-42-16	528,347	509,757			
F-43-15	1,216,500	1,091,717			
F-43-16	1,216,500	1,274,240			
F-43-17	1,308,367	259,111			
F-45-16	1,255,478	1,014,421			
F-45-17	2,095,891	813,777			
F-49-15	374,856	245,767			
F-49-16	327,768	294,302			
F-51-15	171,636	140,260			
F-51-16	219,488	155,133			
F-53-15	127,229	110,328			
F-53-16	163,884	73,355			
F-56-14	124,985	107,731			
F-59-13	700,991	637,962			
F-59-14	740,543	799,394			
F-66-10	388,713	391,734			
F-66-11	401,693	358,974			
F-66-12	415,106	391,067			
F-69-8	453,333	360,830			
F-69-9	453,333	389,173			
F-69-10	453,333	133,497			
F-70-8	328,764	256,434			
F-70-9	406,198	355,138			
F-72-5	560,000	424,876			
F-72-6	560,000	456,197			
F-73-4	660,988	551,492			
F-73-5	715,956	715,072			
F-74-4	508,601	441,374			
F-74-5	627,565	577,727			
F-75-3	400,000	361,409			
F-75-4	400,000	415,890			
F-79-1	405,650	398,870			

Grant Number	Grant Amount	Claimed Costs	Questioned Costs		Notes
			Total	Federal Share	
F-95-1	44,667	13,624			
F-96-2	304,468	262,529			
F-96-3	303,612	287,260			
F-102-2	140,000	153,906			
F-102-3	140,000	96,718			
F-104-1	200,000	195,727			
P-2-4	150,000	100,000			
P-5-1	265,440	205,383			
R-3-1	114,280	56,723			
W-5-9	1,476,877	916,059			
W-5-10	1,569,230	1,412,134	\$26,121	\$19,591	1
W-6-4	1,386,690	1,466,429			
W-6-5	220,000	5,853			
W-13-54	4,000	6,407			
W-13-55	4,000	5,875			
W-35-50	8,241,419	9,311,466			
W-35-51	13,437,408	12,053,153	869,390	652,042	2
Total	\$47,429,269	\$41,613,825	\$895,511	\$671,633	

Notes:

1. We questioned \$21,585 (\$16,189 Federal share) of awards improperly charged to the grant and \$4,536 (\$3,402 Federal share) of expenditures that were incurred prior to the grant period (See Findings E. Awards to Volunteers and C. Out-of-Period Costs)
2. We questioned costs of \$504,582 (\$378,436 Federal share) incurred for ineligible campground construction, \$179,574 (\$134,680 Federal share) in road repairs allocated to the wrong project, \$152,445 (\$114,334 Federal share) in out-of-period costs and \$32,789 (\$24,592 Federal share) in costs claimed for an unpaid invoice (See Findings A. Campground Construction, B. Costs Charged to Wrong Project, C. Out-of-Period Costs and D. Ineligible Costs)

**FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION
SCHEDULE OF SITES VISITED**

Wildlife Management Areas

Aucilla
Big Bend
Blackwater
J. W. Corbett
Fisheating Creek
Joe Budd
Three Lakes
Fred C. Babcock/Cecil M. Webb

Other Sites Visited

Apalachicola River Wildlife Environmental Area
Region 5 Northeast Hunter Education and Training Center
And Shooting Range
Region 4 – South Office
Florida Marine Research Institute
Fred C. Babcock/Cecil M. Webb Boat Ramp and Shooting Range
J.W. Corbett Youth Camp
Joe Budd Aquatic Education Center
Tenoroc Fish Management Area
Archery and Shooting Ranges and seven Boat Ramps)
Russell Harbor Landing Boat Ramp

STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendation	Status	Action Required
A, C, D, E, and J	Finding resolved but recommendation not implemented	Provide a target date and official responsible for implementation of each recommendation.
B, F-1, F-2, G-1, G-2, and I-1	Finding unresolved	Provide responses to the revised findings and recommendations that state concurrence or non-concurrence with each finding and recommendation. For each concurrence, provide a corrective action plan that includes the target date and the official responsible for implementation of the recommendation. Unresolved findings and/or unimplemented recommendations remaining at the end of 90 days (after May 26, 2004) will be referred to the Assistant Secretary of PMB for resolution and/or tracking of implementation.
H-1, H-2, and I-2,	Finding resolved and Recommendation Implemented	No further action is required.

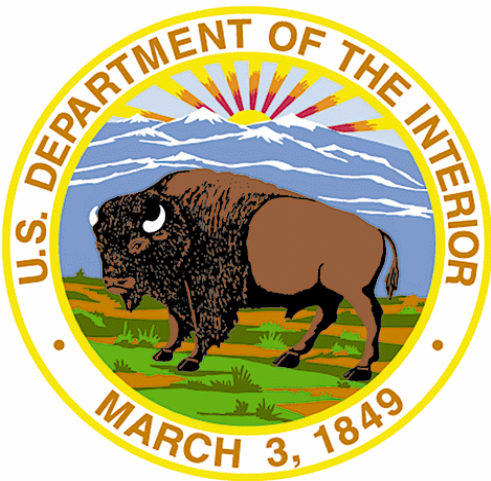
How to Report Fraud, Waste, Abuse and Mismanagement

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

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