



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

AUDIT REPORT

**U.S. Fish and Wildlife Service Federal Assistance
Grants Administered by the Government of Guam,
Department of Agriculture, Division of Aquatic and
Wildlife Resources from October 1, 1999, to
September 30, 2000**



Report No. R-GR-FWS-0029-2004

March 2004



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

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

March 4, 2004

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Joe Ansnick
Director of External Audits

Subject: Final Audit Report on the Government of Guam, Department of Agriculture, Division of Aquatic and Wildlife Resources from October 1, 1999, to September 30, 2000 (Report No. R-GR-FWS-0029-2004)

This report presents the results of our audit of costs incurred by the Government of Guam (Guam), Department of Agriculture, Division of Aquatic and Wildlife Resources (Division) under its hunting and fishing programs and costs claimed under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS) from October 1, 1999, to September 30, 2000. Although the scope of our audit included costs claimed from October 1, 2000, to September 30, 2001, we did not express an opinion on costs claimed for that period because the final Financial Status Reports for that period were not available for audit (see Appendix 1).

Our findings include questioned costs of \$55,070. In addition, improvements are needed in accounting for revenues from the sale of hunting licenses and providing accurate and timely accounting data to facilitate the submission of Financial Status Reports to FWS.

FWS responded to a draft of this report on March 12, 2003, concurring with all of the recommendations. We modified the findings and recommendations as necessary to clarify the issues and to incorporate any additional information provided. We also corrected calculations of excess indirect costs contained in the draft report relative to finding A, Limitation on Administrative Costs. 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 June 4, 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 at (703) 487-5345.

cc: Regional Director, Region 1, 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 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. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. Because 48 U.S.C. Section 1469a, as amended, allows FWS to waive the matching requirement for U.S. territories, FWS agreements with Guam authorized reimbursement of 100 percent of all eligible costs incurred under Federal Assistance grants. Guam requires hunters to purchase hunting licenses, but has no requirement for fishing licenses. The Division administers Wildlife and Sport Fish Restoration Programs on Guam.

We performed an audit of Federal Assistance grants to Guam at the request of FWS. The objective of our audit was to evaluate: (1) the adequacy of the Division'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 Division's hunting license fee collection, certification and disbursement process; (4) the adequacy of the Division's asset management system and related internal controls with regard to purchasing, control and disposal; and (5) the adequacy of Guam'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 that totaled \$843,391 on FWS grants that were open during fiscal years ended September 30, 2000, and 2001 (see Appendix 1).

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 Division to the grants and interviews with employees to ensure that all personnel costs charged to the grants were allowable. We did not evaluate the economy, efficiency, and effectiveness of the Division's operations.

Our audit was performed at the Division's headquarters office in Mangilao, Guam. We also visited a boat launch, a reservoir and two fishing platform sites (see Appendix 2).

Scope Limitation

The Division did not prepare fiscal year 2001 Financial Status Reports for Federal Assistance grants in a timely manner because of problems in implementing a new financial management system. As a result, we were unable to express an opinion on the accuracy or appropriateness of costs claimed for fiscal year 2001 Federal Assistance grants.

According to 43 CFR § 12.81 (b)(4), annual Financial Status Reports must be submitted to FWS within 90 days following the expiration or termination of a grant. Since Guam's grant year ends on September 30, Financial Status Reports are due December 29. The Division did not meet the December 29 deadline and on February 4, 2002, requested a 90-day extension from FWS. The extension was necessary because reliable data to complete the financial reports would not be available until fiscal year 2001 accounting records were closed on February 28, 2002. As of July 23, 2002, the Division had not submitted fiscal year 2001 Financial Status Reports to FWS.

Guam implemented a new financial management system in fiscal year 2000. The Division's Administrative Officer told us that he began keeping "cuff records" shortly after implementation of the new system because it did not produce the reports needed to adequately manage Federal Assistance grants. Department of Administration personnel stated that the new system was difficult to use; staff had received little or no training prior to implementation; and programming defects caused the incorrect processing of some financial data. Consequently, personnel had to manually review financial data to detect errors and prepare a significant number of journal vouchers to correct erroneous data.

As a result of the problems in implementing the new financial management system, Guam reverted to its old system in fiscal year 2002. According to Department of Administration and Division personnel, the old system provided accurate and timely data, which allowed them to submit Financial Status Reports to FWS within prescribed timeframes. Since our audit period covered only the 2 years the new system was used, we could not determine whether the old system is more successful in producing accurate and timely accounting data.

Accordingly, a formal audit recommendation regarding Guam's use of the old system would be inappropriate at this time. However, we believe that FWS should closely monitor Guam's progress in improving its financial reporting capabilities and, if reporting problems continue, take appropriate action as required by 43 CFR § 12.52 for special "high-risk" grantees.

Prior Audit Coverage

On July 3, 1996, we issued audit report No. 96-E-1010, "Final Audit Report of Expenditures Claimed by the Government of Guam under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1990, Through September 30, 1994." We reviewed this report and followed up on all findings cited and determined that they had been resolved prior to our review.

RESULTS OF AUDIT

Our review disclosed the following:

- Costs of \$15,659 were questioned pertaining to indirect costs calculated using negotiated indirect cost rates that did not limit costs of central services to three percent of the annual Sport Fish or Wildlife apportionments
- Federal Assistance funds of \$33,703 were drawn down in excess of actual costs incurred during fiscal year 2000
- Ineligible procurements totaling \$5,708 were charged to Federal Assistance grants
- At least \$3,856 in personal property purchased with Federal Assistance funds could not be found
- Improvements are needed in the control of revenues from the sale of hunting licenses, accounting and financial management for data included on Financial Status Reports to FWS

A. Limitation on Administrative Costs

The Division received \$15,659 in excess indirect cost reimbursements for fiscal year 2000 and we calculated \$21,198 in excess indirect costs applicable to fiscal year 2001.

The Division applied indirect cost rates to salaries to calculate indirect costs for Federal Assistance grants. Each year, the Guam Bureau of Management and Research provided the approved indirect rate for the Department of Agriculture, which was applied to all of the Department's Federal agreements, subject to statute.

The Code of Federal Regulations (CFR) states that administrative costs in the form of overhead or indirect costs for central services outside of the fish and wildlife agency must be in accord with an approved cost allocation plan and shall not exceed in any one fiscal year three percent of the annual apportionment [50 CFR § 80.15(d)]. Our review of the proposals indicated that the central services costs included in the rate were not limited to three percent of the annual Sport Fish or Wildlife apportionments. In addition, OMB Circular A-87, Attachment E, Section c 4 (b) states:

“...there are some Federal statutes which restrict the reimbursement of certain indirect costs. Where such restrictions exist, it may be necessary to develop a special rate for the affected award. Where a “restricted rate” is required, the procedure for developing a non-restricted rate will be used except for the

additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.”

Accounting personnel at Guam’s Department of Administration were unaware of the requirements of the Sport Fish and Wildlife Restoration Acts pertaining to the allocation of central services costs and therefore used the negotiated indirect cost rate.

We reviewed the indirect cost proposals upon which the negotiated indirect cost rates were based and recalculated the rates, limiting the costs of central services to three percent of the appropriate annual apportionment. As a result, we have questioned 4.31 percent of the fiscal year 2000 rate of 26.58 percent and 6.38 percent of the 28.24 rate for 2001. We applied the questioned rates to the salary bases to calculate the questioned costs as follows:

| FY 2000 | | | |
|----------------|-------------|-----------------|------------------|
| Grant No. | Salary Base | Questioned Rate | Questioned Costs |
| F-1-R-8 | \$329,147 | 4.31% | \$14,186 |
| F-3-D-4 | \$2,445 | 4.31% | 105 |
| F-4-D-3 | \$227 | 4.31% | 10 |
| W-1-R-8 | \$30,994 | 4.31% | 1,336 |
| FW-3-C-8 | \$501 | 4.31% | 22 |
| Total | | | <u>\$15,659</u> |

| FY 2001 | | | |
|----------------|-------------|-----------------|------------------|
| Grant No. | Salary Base | Questioned Rate | Questioned Costs |
| F-1-R-9 | \$252,905 | 6.38% | \$16,135 |
| W-1-R-9 | \$137,315 | 6.38% | 8,761 |
| FW-3-C-9 | \$67,430 | 6.38% | 4,302 |
| Total | | | <u>\$29,198</u> |

As a result, the Division claimed excess indirect costs of \$15,659 for fiscal year 2000. Based on our review of preliminary Financial Status Reports for fiscal year 2001, excess indirect costs for that year totaled \$29,198. We brought this deficiency to the attention of the Department’s accounting personnel, who told us that they would correct the final Financial Status Reports for fiscal year 2001 before submitting them to FWS.

Recommendations

We recommend that FWS require the Division to:

1. Reimburse FWS for \$15,659 of excess indirect costs claimed for fiscal year 2000.
2. Obtain a separate rate for Restoration Act grants in the future or establish controls to ensure that the costs of central services charged to Federal Assistance grants are limited to three percent of the annual apportionment.

Division Response

The Division indicated that now that it has a better understanding of the requirements, it will be able to comply. It agreed to credit the questioned costs to future federal assistance accounts.

FWS Response

FWS concurred with the finding and recommendation, adding that the appropriate grants will be credited when FWS forwards the final report to Guam. FWS recommended that a review of these costs for fiscal years 1998 and 1999 be made to determine whether the central services cost limitation was exceeded. Written controls are still being developed for this issue and FWS will include this recommendation in the Corrective Action Plan.

Office of Inspector General Comments

We consider the response sufficient to resolve the finding. For each recommendation, FWS should identify a target date and an official responsible for implementation.

B. Drawdowns and Claims for Reimbursement

We questioned \$33,703 in excess Federal Assistance funds that the Division drew down for expenditures in fiscal year 2000. In addition, the amounts claimed on the Financial Status Reports for fiscal year 2000 did not agree with expenditure data in the accounting records. According to 43 CFR § 12.60, grantees must maintain adequate fiscal and accounting controls to ensure that financial reports are accurate, accounting records contain sufficient information relating to grant expenditures, and drawdowns are made as close as possible to the time of disbursement. In addition, 50 CFR § 80.15 requires that all costs must be supported by source documents or other records. We found the following discrepancies between fiscal year 2000 Financial Status Reports and the accounting records.

| Grant No. | Grant Amount (a) | Claimed Expenditures (b) | Drawdown (c) | Actual Expenditures* (d) | Excess Drawdown (c - d) | Claimed vs. Actual (b - d) |
|-------------------------------|---------------------|-----------------------------|-----------------|-----------------------------|----------------------------|-------------------------------|
| F-1-R-8 | \$460,000 | \$460,000 | \$460,000 | \$434,297 | \$25,703 | \$25,703 |
| F-3-D-4 | \$290,000 | \$173,355 | \$166,712 | \$165,129 | \$1,583 | \$8,226 |
| F-4-D-3 | \$14,000 | \$287 | \$650 | \$270 | \$380 | \$17 |
| W-1-R-8 | \$333,000 | \$120,183 | \$170,953 | \$164,916 | \$6,037 | (\$44,733) |
| Total Excess Drawdowns | | | | | <u>\$33,703</u> | |

* Based on data obtained from Guam's financial management system.

Recommendations

We recommend that FWS require the Division to:

1. Reimburse FWS for \$33,703 of Federal Assistance funds drawn down in excess of actual expenditures incurred during fiscal year 2000.
2. Establish fiscal and accounting controls to ensure that (a) accounting records reflect expenditures incurred, (b) accurate financial reports are submitted to FWS, and (c) drawdowns of Federal Assistance funds are limited to expenditures incurred.

Division Response

The Division recognized the excess drawdowns and agreed to reduce costs in current appropriate Federal Assistance grants until the program is fully compensated. The Division added that recent improvements made to the data system should minimize the potential for such problems in the future.

FWS Response

FWS concurred with the finding and recommendations and added that the appropriate grants will be credited when FWS forwards the final report to Guam. In addition, the Division is developing procedures that will implement and maintain the recommended accounting controls.

Office of Inspector General Comments

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

C. Ineligible Procurements

Our review of 38 procurements, totaling \$207,476 charged to Federal Assistance grants during fiscal years 2000 and 2001 disclosed five procurements not related to Federal Assistance grants. We questioned \$5,708 for procurements made in Fiscal year 2000 (\$5,168 under Grant FW-3-C-8 and \$540 under Grant W-1-R-8) and identified \$4,487 of improper procurements applicable to fiscal year 2001 grants.¹

¹ We identified expenditures totaling \$2,340 under Grant W-1-R-9 and \$2,147 under Grant F-1-R-9 not related to Federal Assistance grants, which should be excluded from fiscal year 2001 Financial Status Reports.

Recommendation

We recommend that FWS require the Division to reimburse FWS for the \$5,708 of improper procurements for fiscal year 2000.

Division Response

The Division agreed that \$540 was improperly charged to Grant W-1-R-8, and stated that this amount “would be recovered from this years Brown Tree Snake account.” However, the Division did not agree that \$5,168 was improperly charged to Grant FW-3-C-8, stating that “supporting documents show these charges all fell under endangered species funding.”

FWS Response

FWS concurred with the finding and recommendation and stated that it is “working with the Department to secure the specific documentation to substantiate the claim [regarding Grant FW-3-C-8].”

Office of Inspector General Comments

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

D. Hunting License Revenues

The Division commingled revenues from the sale of hunting licenses with revenues from other sources in the Wildlife Conservation Fund account. As a result, the Division did not know the amount of hunting license revenues in the Fund, thereby creating the potential for the diversion of these revenues. The Acts required Guam to pass legislation prohibiting the diversion of license fees paid by fishermen and hunters for any purpose other than the administration of the fish and wildlife agency. Based on our review of Title 5, Guam Code Annotated, Chapter 63, the legislation enacted by Guam appears to comply with provisions in the Acts. However, in addition to revenues from the sale of hunting licenses, revenues from other sources, such as licenses to import game, fines, and proceeds from the sale of seized articles were also deposited to the Wildlife Conservation Fund. We discussed this issue with the Division’s administrative officer, who agreed that a separate account should be established for hunting license revenues.

Recommendation

We recommend that FWS ensure that the Division establish and maintain a separate account for hunting license revenues.

Division Response

The Division concurred with the finding and stated “A law has been passed that gave programmatic oversight of these funds to the Chief of DAWR (Division of Aquatic and Wildlife Resources) and funds deposited are now partitioned into separate fields within the fund to make tracking expenditures clear.”

FWS Response

FWS concurred with the finding and recommendation and stated that, based on the documentation provided by the Department, it considers the recommendation implemented.

Office of Inspector General Comments

The responses were considered sufficient to consider the finding resolved and the recommendation implemented. Therefore, no further action is necessary.

E. Property Management

The Division did not adequately account for and control personal property purchased with Federal Assistance funds. Specifically, in accordance with “Property Management Systems and Procedures” dated July 1991, it did not ensure that (1) property was properly marked, (2) the inventory records were complete and accurate, and (3) complete physical inventories were conducted and the results reconciled to fixed asset records. This occurred because the Division had not developed adequate operating procedures to control personal property.

Although the Division’s administrative officer told us that the database was incomplete,² we used the file because no other reliable inventory records were available. We judgmentally sampled 55 items valued in excess of \$86,000 from the Division’s property database to determine whether the assets were properly accounted for.

Our inspection of the items disclosed that none had property identification labels. In addition, eight items could not be located: a Global Positioning System (\$1,449), an outboard motor (\$1,039), a chest freezer (\$695) and a marine winch kit (\$673); and an air conditioner, binoculars, an underwater camera and laptop computer³, which could not be valued.

Recommendations

We recommend that FWS require the Division to:

² The inventory database did not contain acquisition cost, the grant name, number, or year purchased.

³ Division personnel told us the laptop computer was loaned to another unit within the Department of Agriculture and subsequently stolen. However, a Certificate of Property Loss could not be produced.

1. Develop written procedures for controlling and accounting for fixed assets acquired with Federal Assistance funds. At a minimum, these procedures should provide sufficient instructions to ensure that the Division (a) maintains accurate and complete inventory records, (b) attaches property identification labels, (c) conducts physical inventories, and (d) reconciles inventory results to fixed asset records.
2. Reimburse FWS for any items unaccounted for.
3. Document and report the missing laptop computer to the Accountable Officer.

Division Response

The Division stated that it has implemented an inventory system that will “prevent this situation in the future,” and will capture the funding source for items purchased. The Division added that the eight items in question have been accounted for and that the items had either been disposed of, located (but the serial number in the inventory system was incorrect), or had not been originally acquired with Federal Assistance funds. The Division gave the laptop to Law Enforcement because it was obsolete. The Division acknowledged that the item should have been surveyed before it was transferred.

FWS Response

FWS concurred with the findings and stated that it is working with the Division to secure the system manual and review the procedures to insure that it addresses the recommendation. FWS completed an on-site review of the eight items and concluded that all items had been accounted for. FWS stated that Law Enforcement prepared a report to document the theft of the laptop computer.

Office of Inspector General Comments

The responses were sufficient to consider the finding resolved and Recommendations 2 and 3 implemented. For Recommendation 1, FWS should identify a target date and an official responsible for implementation of the recommendation.

**GUAM DEPARTMENT OF AGRICULTURE
DIVISION OF AQUATIC AND WILDLIFE RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE**

| Grant Number | Grant Amount | Claimed Costs | Questioned Costs | Notes |
|--------------|--------------|---------------|------------------|-------|
| F-1-R-8 | \$460,000 | \$460,000 | \$39,889 | 1 |
| F-1-R-9 | 483,172 | -0- | -0- | |
| F-2-D-9 | 601,944 | -0- | -0- | |
| F-3-D-4 | 290,000 | 173,355 | 1,688 | 2 |
| F-4-D-3 | 14,000 | 287 | 390 | 3 |
| F-4-D-4 | 1,680 | -0- | -0- | |
| F-5-D-1 | 140,000 | -0- | -0- | |
| F-6-B-1 | 85,000 | -0- | -0- | |
| F-6-B-2 | 50,000 | -0- | -0- | |
| F-7-D-1 | 25,000 | -0- | -0- | |
| F-8-D-1 | 50,000 | -0- | -0- | |
| F-9-D-1 | 136,119 | -0- | -0- | |
| W-1-R-8 | 333,000 | 120,183 | 7,913 | 4 |
| W-1-R-9 | 370,616 | -0- | -0- | |
| FW-3-C-8 | 140,500 | 89,566 | 5,190 | 5 |
| FW-3-C-9 | 140,500 | -0- | -0- | |
| Total | \$3,321,531 | \$843,391 | \$55,070 | |

Notes:

1. Questioned costs were \$14,186 for unallowable indirect costs, and \$25,703 in excess drawdowns (See A. Limitation on Administrative Costs and B. Drawdowns and Claims for Reimbursement).
2. We questioned \$1,583 in excessive drawdowns and \$105 for unallowable indirect costs (See B. Drawdowns and Claims for Reimbursement and A. Limitation on Administrative Costs).
3. Questioned costs were \$380 in excessive drawdowns and \$10 for unallowable indirect costs (See B. Drawdowns and Claims for Reimbursement and A. Limitation on Administrative Costs).
4. We questioned \$6,037 in excessive drawdowns, \$1,336 for unallowable indirect costs and \$540 of ineligible procurements (See B. Drawdowns and Claims for Reimbursement, A. Limitation on Administrative Costs and C. Ineligible Procurements).
5. We questioned \$5,168 of ineligible procurements, \$22 for unallowable indirect costs (See C. Ineligible Procurements and A. Limitation on Administrative Costs).

**GUAM DEPARTMENT OF AGRICULTURE
DIVISION OF AQUATIC AND WILDLIFE RESOURCES
SCHEDULE OF SITES VISITED**

Togcha River Channel Fishing Platform Site

Talafofo Bay Fishing Platform Site

Merizo Boat Launch and Pier

Masso Reservoir

STATUS OF AUDIT RECOMMENDATIONS

| Recommendation | Status | Action Required |
|--------------------------------|--|---|
| A-1, A-2, B-1, B-2, C, and E-1 | Finding resolved; recommendation not implemented | Provide a target date and official responsible for implementation of each recommendation. Recommendations remaining unimplemented at the end of 90 days (June 4, 2004) will be referred to the Assistant Secretary of PMB for tracking of implementation. |
| D, E-2 and E-3 | Finding resolved and recommendation implemented | No further action is required. |

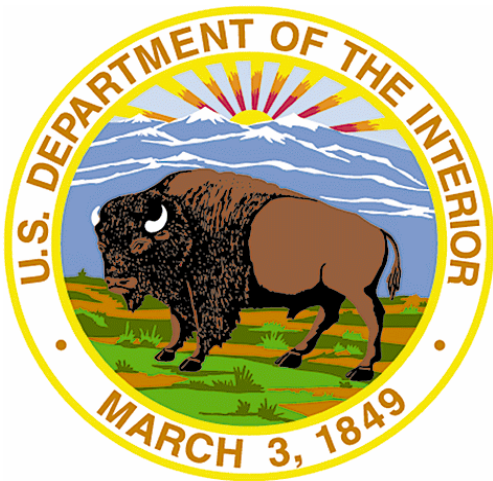
How to Report Fraud, Waste, Abuse and Mismanagement

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