



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
Colorado, Division of Wildlife,
from July 1, 2001, through
June 30, 2003**

Report No. R-GR-FWS-0003-2004

March 2005



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

March 8, 2005

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Andrew Fedak 
Director of External Audits

Subject: Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Colorado, Division of Wildlife, from July 1, 2001 through June 30, 2003 (No. R-GR-FWS-0003-2004)

This report presents the results of our audit of costs incurred by the State of Colorado, Division of Wildlife (Division), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims that totaled approximately \$27.6 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1). We also reviewed the Division's compliance with certain regulatory and other requirements, including those related to the collection and use of State hunting and fishing license revenues and the reporting of program income.

We found that the Division:

- Computed an in-kind match of \$384,965 for volunteer instructors based on estimated hours rather than the actual hours recorded on the volunteers' timesheets.
- Could not support \$296,027 transferred to another State agency and charged to a Federal Assistance grant.
- Did not report program income of \$56,153 on grants for the operation and maintenance of State Wildlife Areas.
- Entered into non-cash agreements for habitat improvement or maintenance on State Wildlife Areas but did not report the value of the improvement or maintenance as program income.
- Lacked sufficient controls to prevent an employee from recording 506 hours as time worked in one day.

- Charged the cost of operating and maintaining real property acquired through the Land and Water Conservation Fund Act to Federal Assistance grants.
- Lacked sufficient controls to prevent former Division and contractor employees from accessing its network.
- Could not locate eight personal property items that were on its inventory and possessed six personal property items that were not on its inventory.
- Did not assign State identification property numbers to 31 personal property items on its inventory.

FWS Region 6 provided a response to a draft of this report on December 17, 2004, which included a copy of the Division's December 10, 2004 response to FWS. FWS also submitted a supplemental response on February 7, 2005. FWS generally concurred with the audit findings and recommendations and stated that it would incorporate or consider the Division's proposed actions in the development of the corrective action plan. We summarized the Division and FWS responses after the recommendations and added our comments regarding the responses. The status of the recommendations is summarized in Appendix 3.

In accordance with the Departmental Manual (361 DM 1), please provide us with your written response to the recommendations included in this report by June 9, 2005. Your response should include the information requested in Appendix 3. If you have any questions regarding this report, please contact me at (703) 487-5345 or Mr. John Kerrins, Audit Team Leader, at (303) 929-3758.

cc: Regional Director, Region 6
U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts) ¹ authorize the U.S. Fish and Wildlife Service (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. They also 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.

Scope, Objective, and Methodology

We performed our audit at the Colorado Division of Wildlife (Division) and Department of Natural Resources offices in Denver, Colorado. The audit work at the Division included claims that totaled approximately \$27.6 million on FWS grants that were open during the State's fiscal years (SFYs) ended June 30, 2002 and 2003 (see Appendix 1). We also visited the Division regional offices, State Wildlife Areas, a fish hatchery, motorboat access sites, and "Fishing is Fun" project sites (see Appendix 2).

The objective of our audit was to evaluate:

- The adequacy of the Division's accounting system and related internal controls.
- The accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS.
- The adequacy and reliability of the Division's hunting and fishing license fees collection, certification and disbursement processes.
- The adequacy of the Division's asset management system and related internal controls with regard to purchasing, maintenance, control and disposal.
- The adequacy of the State's compliance with the Acts' assent legislation requirements.
- Other issues considered sensitive and/or significant by FWS.

We performed our audit 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; interviews with employees to ensure that personnel costs charged to the grants were supportable; and a review of the Division's use of fishing and hunting license revenues to determine whether the revenues had been used for program purposes. We relied on the work of the auditors for the State of Colorado Single Audit to the extent possible in order to avoid

¹ Volume 16 U.S.C. § 669 and volume 16 U.S.C. § 777, as amended.

duplication of effort. We did not evaluate the economy, efficiency, or effectiveness of the Commission's operations.

Prior Audit Coverage

On January 16, 1998, we issued audit report No. 98-E-198, "Audit Report on U.S. Fish and Wildlife Service Federal Aid Grants to the State of Colorado for Fiscal Years 1994 and 1995." We reviewed this report and followed up on all findings to determine whether they had been resolved prior to our review. Our review found that all prior findings were resolved. We reviewed the SFY 2002 and 2003 Single Audits, which identified a lack of controls over capital asset tracking by the Department of Natural Resources (Department), which maintains the Division's personal property inventory records. Our review found that the Division's personal property inventory contained inaccurate data and not all Division personal property items had a State identification property tag number assigned and entered in the inventory listing (see Findings H and I).

Results of Audit

Our review disclosed that, except for the issues identified below:

- The Division's accounting system and related internal controls adequately and accurately accounted for grant and license receipts and disbursements.
- The direct and indirect costs were accurately reported and claimed.
- The State 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 Division.

We questioned costs totaling \$680,992 for:

- A. Unsupported in-kind matching costs of \$384,965 charged to the hunter education grants.
- B. A transfer of \$296,027 to the Water Conservation Board that was not supported by documentation of the actual costs incurred by the Board.

We also found that:

- C. The Division did not report \$56,153 of program income derived from State Wildlife Areas (SWAs) receiving Federal Assistance funding for operation and maintenance.
- D. The Division did not record or report the revenues and expenses related to non-cash agreements with individuals, non-profit organizations, and other agencies.
- E. The automated timekeeping system (KRONOS) did not contain sufficient edits to prevent an employee from recording 506 hours worked during one day.
- F. The Division charged the cost of operating and maintaining real property acquired through the Land and Water Conservation Fund Act to Federal Assistance grants although the Act required the state to maintain these assets at its own expense.
- G. Former Division employees' and contractors' access privileges to the computer network were not removed in a timely manner when employment was terminated.
- H. The Division's personal property inventory contained inaccurate data.
- I. Some items on the Division's personal property inventory did not have a State ID property tag number assigned.

Questioned Costs

A. In-Kind Matching Contributions - \$384,965

The Division did not compile or use the volunteer instructor hours recorded on instructor timesheets to calculate the value of the in-kind match that it claimed on the hunter education grants. Instead, the Division used an average number of hours per course, based on a judgmental sample of courses, to compute the value of the in-kind match.

In October 2003, the Division began entering information from the individual instructor timesheets into a database. When completed, the database should provide for the compilation of the hours by instructor as well as an audit trail. According to 43 CFR §12.64 (b) (6), records for in-kind contributions must be verifiable and should be supported by the same methods used to support regular personnel costs. However, the Division was unaware that using an average number of hours per course was not an acceptable method for supporting in-kind matching contributions.

As a result, the \$384,965 claimed as in-kind matching costs for the hunter education grants is unsupported, as follows:

Schedule of In-Kind Matching Costs

<u>Grant</u>	<u>Total Claimed</u>	<u>Questioned</u>
W-148-E-15	\$183,046	\$183,046
W-148-E-16	<u>201,919</u>	<u>201,919</u>
Total	<u>\$384,965</u>	<u>\$384,965</u>

Recommendations

We recommend that FWS:

1. Resolve the \$384,965 of questioned in-kind matching costs.
2. Ensure the Division maintains a database, such as the one it started in October 2003, to record volunteer instructor hours, and uses the data to calculate the value of the in-kind volunteer instructor services.

Division Response

The Division concurred with the finding. The Division stated that the costs were unsupported because its estimates of the value of volunteer hours were developed using an unacceptable methodology, which Division program managers believed, erroneously, was acceptable. The Division also stated that it did in fact collect information on hours worked by volunteer instructors, and will compile the information to support the amount

in question. The Division further stated that it has completed the database for the volunteer instructor hours and will compile the data annually.

FWS Response

FWS concurred with the finding and recommendations and stated that the Division's proposals to implement the recommendations will be incorporated in the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

B. Transfer to the Water Conservation Board - \$296,027

The Division transferred \$296,027 to the Colorado Water Conservation Board² (Board) in SFY 2002. The \$296,027 was charged to the Grant FW-28-T-15.³ However, the Division did not maintain source documents to support actual costs incurred by the Board for grant purposes. According to 50 CFR § 80.15 (a), all costs must be supported by source documents or other records as necessary to substantiate the application of funds. The Division has been making annual transfers to the Board based on the authorization contained in the annual appropriation bill. The amount of \$296,027 transferred to the Board during 2002 and claimed as a grant cost is unsupported.

Recommendations⁴

We recommend that FWS:

1. Work with the Division to resolve the \$296,027 of questioned costs charged to Grant FW-28-T-15 for SFY 2002.
2. Require the Division to develop procedures to ensure that charges for the work performed by the Board are adequately supported.

Division Response

The Division partially concurred with the finding. The Division agreed that source documents to support actual costs incurred by the Board for grant purposes were not maintained. However, it stated that it did not believe that 50 CFR § 80.15(a) requires

² The Board is charged with appropriating in-stream flow water rights on behalf of the Division. Both the Board and the Division are part of the Department.

³ Although the Division transferred funds to the Board in SFY 2003, the Division did not claim the transfer in any Federal Assistance grants.

⁴ Based on the Division's response to the draft report, we have added a second recommendation for this finding. Neither the Division nor FWS have had the opportunity to review or provide comments on this recommendation.

documentation to support costs incurred by the Board, which they consider to be a contractor. The Division further stated that it believes records are available to substantiate the transfer to the Board. To support the reasonableness of the \$297,027 charge, the Division stated that:

- The Board incurred actual costs of \$647,569 for its Instream Flow Program.
- The Division transfer amounted to 46 percent of the Board's actual cost.
- Well over half of the projects in the Division's Instream Flow and Natural Lake Level Work Plan are documented to be Division priorities.

The Division also stated that to comply with 50 CFR § 80.15(a) in the future, it plans to negotiate an annual "memo of understanding" with the Board that will include deliverables, a payment schedule, and annual accomplishment reporting requirements.

FWS Response

FWS concurred with the finding and recommendation and stated that the Division's comments and proposal to implement the recommendations will be considered in the development of the corrective action plan.

Office of Inspector General Comments

We do not agree that the Board was a contractor of the Division on this project. OMB Circular A-87, Attachment A, Section B.8, defines a contract to be a mutually binding legal relationship. Since both the Division and the Board are State agencies, we do not believe that their arrangement would be legally binding.

The Division's plan to negotiate an annual memorandum of understanding with the Board is a positive step in avoiding this problem in the future. However, we believe that the regulations require the Division or the Board to maintain source documents for costs charge to the grant. Specifically, 50 CFR § 80.15(a) states that all costs must be supported by source documents or other records to substantiate the application of funds. We do not consider a transfer of funds to another state agency to be adequate source documentation for costs incurred by that agency.

To determine the appropriateness of the charges for the Board's work, FWS will need to obtain documentation from the Division that supports the reported \$647,569 spent by the Board on the Instream Flow Program and the basis for and the reasonableness of the 46 percent rate used to compute the Division's \$296,027 share of these costs. In that regard, we noted that the response appears to justify the 46 percent rate based, in part, on the statement that over half of the projects in the Work Plan are Division priorities. However, the response also indicates that the Board "works very closely" with several Federal, state, and local government organizations, nonprofit organizations, and other interested parties, which may also have participated in or benefited from the Division's priority projects. FWS should ensure that the 46 percent rate is based on a reasonable

allocation of costs among those parties that participated in or benefited from those projects identified as the Division's priorities.

We do not consider the responses sufficient to resolve this finding. We urge FWS to consider our comments when developing and implementing the corrective action plan.

Additional Findings

C. Unreported Program Income - \$56,153

The Division reported \$26,780 of program income for SFY's 2002 and 2003 on Grants FW-46-M-3 and FW-46-M-4, which provided funds for the operation and maintenance of its SWAs. However, the Division did not report additional revenues of \$56,153 (see below) from crop and grazing permits, easements, and a communication site lease settlement. According to 43 CFR § 12.65 (b), program income is gross income received by a grantee directly generated by a grant-supported activity. In addition, 43 CFR § 12.65 (g) requires that program income be deducted from grant outlays, added to the funds committed to the grant agreement, or used to meet the cost sharing or matching requirement. These additional revenues were derived from agreements involving the use of lands located on SWAs receiving Federal Assistance funds for their operation and maintenance, as follows:

Schedule of Unreported Program Income

	<u>SFY 2002</u>	<u>SFY 2003</u>	<u>Total</u>
Crop permits	\$6,716	\$9,252	\$15,968
Grazing permits	14,850	14,527	29,377
Gas pipeline easement		2,000	2,000
Water pipeline easement		100	100
Communication site lease settlement	8,708		8,708
Total	<u>\$30,274</u>	<u>\$25,879</u>	<u>\$56,153</u>

Several Federal Assistance grants included a condition that required revenue derived from SWAs to be reported as program income. However, the Division did not have procedures to ensure that all revenue received from leases and permits on SWAs receiving Federal Assistance funding for operation and maintenance were reported on the Financial Status Report (SF 269) as program income.

Recommendations

We recommend that FWS:

1. Resolve the unreported program income of \$56,153 for SFYs 2002 and 2003.

2. Require the Division to implement procedures to ensure that all program income is reported on the Financial Status Report.

Division Response

The Division concurred with the finding. However, the Division stated that rather than adjusting the State accounting records or the Financial Status Reports for accounting periods which have been already closed, it would increase the State match in the amount of \$56,153 and decrease the Federal funds by \$56,153 for SFY 2006 on Grant FW-46-M-7. The Division also stated that it will develop procedures by June 30, 2005, to ensure that all revenues received from the use of lands which receive Federal Assistance funds are reviewed annually to ensure that the program income is properly reported.

FWS Response

FWS concurred with the finding and recommendations and stated that the Division's proposal to implement the recommendations will be incorporated in the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

D. Value of Barter Transactions Not Reported

Program income is defined in 43 CFR § 12.65 (b) as gross income received by a grantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. In addition, 43 CFR § 12.65 (g) requires that program income be deducted from grant outlays, added to the funds committed to the grant agreement, or used to meet the cost sharing or matching requirement.

The Division entered into various verbal and written non-cash agreements⁵ which allowed individuals, nonprofit entities, and other agencies to conduct activities on SWA lands in exchange for habitat improvement, maintenance, or other services or goods. However, we found that the Division did not record the fair market value of the goods and services received or the Division's related expenses in its accounting system, or report this information on its financial status report. For example, a farmer was allowed to farm on a SWA in exchange for leaving a portion of the crop as food for the wildlife. We found that the Division did not report the program income (value of the crop received) or the related expenses (the fair market value of the

⁵ These agreements are known as barter, cooperative, temporary use, sharecropping, or exchange agreements, depending on the character of the agreement. The Division does not maintain a listing of non-cash agreements, either by location or type.

right to farm the land) on its Financial Status Report or record the transactions in its accounting records, and had not identified the terms of this arrangement in its Application for Federal Assistance.

Recommendation

We recommend that FWS require the Division to record and report in its Applications for Federal Assistance and its Financial Status Reports the estimated and actual value, respectively, of the goods and services received on all non-cash arrangements that have an effect on the State's Federal Assistance grants.

Division Response

The Division stated that it does not concur that program income accrues from non-cash exchange agreements on properties that receive Federal Assistance funds. The Division further stated that, "the practical implementation of the recommendation is problematic because (1) the definitions of "gross income" and "directly generated by a grant supported activity" are not clear, (2) no funds are collected by the Division from the farmers for exchange of services on SWAs, and (3) there is no guidance or standards for establishing values of exchanged services. The Division also stated that it will request FWS to provide further clarification and guidance in these areas.

FWS Response

FWS concurred with the finding and recommendation and stated that it is in the process of developing national guidelines to address reporting requirements for barter transactions. FWS further stated that it will incorporate the requirement to comply with this guidance in the corrective action plan.

Office of Inspector General Comments

We agree that FWS national guidelines are needed in this area, and are pleased to see that FWS is in the process of developing such guidelines. However, since the Division did not agree with the finding, we consider it unresolved.

E. Insufficient Timekeeping System

The automated employee timekeeping system (KRONOS) did not contain sufficient edits to prevent an employee from recording excessive hours worked. A Division employee incorrectly recorded 500 hours under one cost element and 6 hours under another cost element on the same day. The employee recorded a total of 731 hours for that month, and KRONOS processed the data as recorded by the employee. The timekeeping system should contain sufficient system edits to prevent illogical data such as this from being processed. However, we were told that Division and other State agency managers had certain logic edits disabled in order to facilitate data entry. The recording of excessive hours described above resulted in a misallocation of labor

costs to two grants. Grant W-182-R-3 was overcharged \$3,093, and Grant W-183-R-3 was undercharged \$2,559.

Recommendations

We recommend that FWS require the Division to:

1. Resolve the misallocation of labor costs to Grants W-182-R-3 and W-183-R-3.
2. Modify KRONOS to include sufficient logic edits or implement compensating manual controls to ensure that excessive or illogical hours are not recorded and processed.

Division Response

The Division concurred with the finding. The Division stated that it agreed that Grant W-182-R-3 was overcharged and proposed addressing the overcharge by adjusting the SFY 2006 grant. However, the Division did not agree that the misallocation of labor costs on Grant W-183-R-3 needs to be resolved because Federal rules do not prohibit the undercharging of grants. The Division also stated that it has implemented adequate accounting controls to prevent the over-reporting of personnel costs, and identified these controls in its response.

FWS Response

FWS concurred with the finding and recommendations. FWS stated that it agreed with the Division that the misallocation of labor costs on Grant W-183-R-3 does not need to be resolved because Federal rules do not prohibit the undercharging of grants. FWS further stated that the Division's proposal to implement the other recommendations will be addressed during the development of the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

F. Ineligible Use of Federal Assistance Funds on Properties Acquired with Land and Water Conservation Funds

The FWS Manual⁶ states that Federal Assistance funds cannot be used to operate or maintain properties or facilities purchased or constructed under the Land and Water Conservation Fund (LWCF) Act of 1965. Section 6(f)(1) of the Act requires states to operate and maintain by acceptable standards, at state expense, the particular properties or facilities acquired or developed for public outdoor recreation use. Accordingly, costs charged to Federal Assistance grants for the

⁶ Paragraph 7.5B of Chapter 522

operation and maintenance of property acquired or developed with LWCF funds are not eligible for reimbursement.

We found that the Division operated and maintained its 214 SWAs with Federal Assistance funds under Grants FW-46-M-3 and FW-46-M-4, including 10 SWAs that contained real property that was acquired with LWCF funds. We were unable to identify the actual grant costs associated with these LWCF-funded assets because the Division did not account for operation and maintenance costs at the property or SWA level. However, the grants contained cost estimates for the operation and maintenance of each SWA during SFYs 2002 and 2003. The estimated annual cost to operate and maintain the 214 SWAs was \$1,822,949, which included \$253,447 for the 10 SWAs containing assets purchased with LWCF funds, as follows:

<u>Property Name</u>	<u>O&M Cost Estimate</u>
Bodo SWA	\$6,701
Cherokee SWA – Lone Pine Unit	62,193
Dome Rock SWA	250
Hugo SWA	16,700
Perins Peak SWA ⁷	30,365
Queens SWA	37,288
Ramah Reservoir SWA	750
South Republican SWA ⁸	68,592
Two Buttes Reservoir SWA ⁹	28,808
Walker SWA	<u>1,800</u>
Total	<u>\$253,447</u>

FWS will need to work with the Division to develop a reasonable estimate of the amount of Federal Assistance funds used to operate and maintain the LWCF-funded lands and facilities in the 10 SWAs. These costs are ineligible for Federal Assistance funding.

Recommendations

We recommend that FWS:

1. Resolve the issue of Federal Assistance funds used during the SFYs 2002 and 2003 to operate and maintain the lands and facilities acquired or developed with funds obtained through the Land and Water Conservation Fund Act at the 10 SWAs.

⁷ Division officials said that the proceeds from a Federal condemnation of LWCF-funded lands at Bodo SWA were used to acquire inholdings at Perins Peak SWA.

⁸ Division officials said that LWCF funds were used to acquire water storage rights at Bonny Reservoir. Bonny Reservoir is within the boundary of South Republican SWA.

⁹ Division officials said that LWCF funds were used to acquire a dam and water storage rights at Twin Buttes Reservoir SWA.

2. Require the Division to establish controls to ensure that Federal Assistance funds are not used to operate and maintain lands and facilities acquired or developed with funds obtained under the Land and Water Conservation Fund Act.

Division Response

The Division concurred with the finding and recommendations. The Division stated that in its recently renewed 5-year grant for SWA operations and maintenance (O&M), it subtracted a portion of the Federal Assistance funds from the O&M budget. The amount deducted was equivalent to the proportion of acreage within the SWAs that was purchased with LWCF funds.

FWS Response

FWS concurred with the finding and recommendations and stated that the Division's proposal to implement the recommendations will be considered in development of the corrective action plan.

Office of Inspector General Comments

The Division's response did not address Recommendation 1, and the FWS response did not state whether it agreed with the actions identified in the Division's response. Accordingly, we consider the finding unresolved and the recommendations not implemented.

G. Network Access Controls

Former Division employees and contractors still had access to the Division network because access privileges were not removed in a timely manner when employment was terminated and contractors completed their work. Logical access controls should provide reasonable assurance that computer resources are protected against unauthorized modification, disclosure, and loss. However, the Division financial services manager was not always notified when employees and contractors departed. As a result, terminated employees and prior contractors potentially had unauthorized access to the Division network. Such unauthorized access increases the risk that modification, loss, damage, or theft of valuable information and/or resources may occur and may ultimately affect data reliability. At a minimum, terminated employees and prior contractors may obtain access to sensitive data and systems for which they are not authorized.

Recommendations

We recommend that FWS require the Division to:

1. Limit user access to the Division network to current authorized employees and contractors.

2. Ensure that terminated employee and contractor access privileges are removed in a timely manner.

Division Response

The Division concurred with the finding and recommendations, and identified additional network access controls that it plans to implement by June 30, 2005.

FWS Response

FWS concurred with the finding and recommendations and stated that the Division's proposal to implement the recommendations will be incorporated in the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

H. Inaccurate Personal Property Inventory Data

The Division's personal property inventory maintained by the Department contained inaccurate data. The State of Colorado Fiscal Rule 1-10 states that each state agency or institution of higher education is responsible for ensuring that all equipment¹⁰ acquired by the State is properly accounted for when acquired, inventoried, and safeguarded throughout its useful life and properly accounted for at the time of disposal.

As of December 30, 2003, the Division's personal property inventory contained 919 items valued at \$15,864,683. There were 239 items, valued at \$3,134,898, that were assigned to 22 responsible persons¹¹ at the sites we visited. We selected 122 items, valued at \$1,823,736, for review to determine whether the items physically existed and were in useable condition. Eight items totaling \$83,856 could not be located because the inventory list had not been updated or the responsible person had not verified the physical existence before certifying the accuracy of the inventory list. We also found six items, valued at \$56,996, that were not on the inventory for those responsible persons visited because either the inventory list had not been updated or the property had not been added to the inventory. In addition, the Division did not conduct annual self-inventories properly.

¹⁰ Equipment is defined as tangible personal property that has a useful life of more than one year, has an acquisition cost of more than \$5,000, is not a permanent part of a building and does not lose its identity through incorporation into a more complex unit.

¹¹ Inventory items are assigned to a responsible person. The items may be stored or used at several sites.

Recommendation

We recommend that the FWS require the Department to keep accurate inventory databases of property acquired with Federal Assistance, license fees, or other funding sources and to update the inventory timely for additions, deletions, and location changes.

Division Response

The Division concurred with the finding. The response identified the steps that both the Department of Natural Resources (Department) and the Division plan to take to resolve the finding.

FWS Response

FWS concurred with the finding and recommendation and stated that the Division's proposal to implement the recommendation will be incorporated in the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

I. Personal Property Missing State Identification Numbers

We found that 31 of the 919 items on the Division's December 30, 2003 inventory did not have a State ID property tag number assigned. The value of the 31 items was \$836,355. The State of Colorado Fiscal Rule 1-10 states that each State agency or institution of higher education is responsible for ensuring that all equipment acquired by the State is properly accounted for when acquired, inventoried, safeguarded throughout its useful life, and properly accounted for at the time of disposal. In addition, a Departmental Directive, revised January 1998, requires that all personal property be listed by State ID number for each organization and that the property tags be issued on a quarterly basis. We found that the Department had no procedures to ensure that all personal property items had State ID property tag numbers entered in the inventory listing.

Recommendation

We recommend that FWS require the Department to develop procedures to ensure that State ID numbers are assigned to all personal property.

Division Response

The Division concurred with the finding and stated that the Department will develop procedures to ensure that State ID numbers are assigned to all personal property. The

Department is in the process of revising its Departmental Fixed Asset Policy, and will provide training to Division personnel when the revision is completed.

FWS Response

FWS concurred with the finding and recommendation and stated that the Division's proposal to implement the recommendations will be incorporated in the corrective action plan.

Office of Inspector General Comments

Based on the responses, we consider this finding resolved but the recommendations not implemented.

**COLORADO DIVISION OF WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE**

<u>Grant Number</u>	<u>Grant Amount</u>	<u>Claimed* Costs</u>	<u>Questioned Costs</u>	
			<u>Total</u>	<u>Federal Share</u>
F-83-R-15	\$648,719	\$559,820		
F-83-R-16	640,952	516,688		
F-85-R-15	20,000	0		
F-86-R-15	631,408	627,314		
F-86-R-16	716,904	716,587		
F-95-C-15	101,496	76,079		
F-95-C-16	99,100	94,046		
F-161-R-12	169,660	160,433		
F-161-R-13	173,550	170,842		
F-237-R-9	460,840	339,152		
F-237-R-10	431,538	428,745		
F-239-R-9	146,798	145,545		
F-239-R-10	171,449	161,524		
F-242-R-9	75,017	75,017		
F-242-R-10	91,673	91,663		
F-243-R-9	163,986	163,579		
F-243-R-10	219,005	83,304		
F-271-R-8	20,000	20,000		
F-288-R-5	138,848	138,848		
F-288-R-6	179,005	171,585		
F-312-D-6	2,450,575	2,177,945		
F-312-D-7	2,697,620	2,325,861		
F-338-D-1	257,900	0		
F-351-E-1	117,953	87,429		
F-359-B-1	173,715	0		
F-360-D-1	184,298	103,523		
F-362-D-1	945,275	163,979		
F-365-D-2	148,000	130,877		
F-367-E-1	200,477	150,000		
F-370-D-1	505,388	150,500		
F-371-D-1	91,760	42,500		
F-372-D-1	84,450	0		
F-376-E-1	308,500	0		
F-377-B-1	20,000	0		

* Claimed Costs represents direct expenses recorded within the State's accounting system and indirect costs allocated to a Federal Assistance grant during SFY 2002 and 2003.

**COLORADO DIVISION OF WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE**

<u>Grant Number</u>	<u>Grant Amount</u>	<u>Claimed* Costs</u>	<u>Questioned Costs</u>	
			<u>Total</u>	<u>Federal Share</u>
F-378-B-1	118,898	0		
F-379-L-1	225,000	0		
F-380-B-1	247,150	17,634		
F-381-B-1	57,586	0		
F-382-D-1	1,560,902	0		
F-383-B-1	92,794	82,184		
F-384-D-1	87,000	63,000		
F-386-D-1	27,135	17,386		
F-387-R-2	362,248	244,100		
F-387-R-3	414,399	241,938		
F-388-D-1	31,460	0		
F-389-B-1	76,580	0		
F-391-D-1	259,795	172,386		
F-392-D-1	694,600	268,100		
F-393-B-1	266,508	199,881		
F-394-R-1	86,056	61,998		
F-394-R-2	118,859	101,019		
F-395-B-1	209,420	181,162		
F-396-B-1	136,538	49,203		
F-397-D-1	40,000	0		
F-398-B-1	105,105	105,105		
F-399-D-1	90,778	0		
F-400-B-1	112,586	112,585		
F-401-D-1	45,900	22,500		
F-402-D-1	1,781,555	0		
F-403-B-1	111,415	28,363		
F-404-D-1	40,000	0		
F-405-D-1	451,055	200,000		
F-406-B-1	122,142	122,143		
F-407-B-1	250,000	65,361		
F-409-B-1	144,496	45,394		
F-410-B-1	500,000	0		
F-411-B-1	624,000	8,338		
F-412-D-1	26,050	0		
F-413-D-1	116,680	0		
F-414-D-1	99,700	0		
F-415-D-1	111,824	0		
F-416-D-1	91,183	0		
F-417-D-1	120,400	0		

Appendix 1

**COLORADO DIVISION OF WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE**

<u>Grant Number</u>	<u>Grant Amount</u>	<u>Claimed* Costs</u>	<u>Questioned Costs</u>	
			<u>Total</u>	<u>Federal Share</u>
F-418-B-1	13,358	59		
F-419-B-1	185,600	0		
F-420-D-1	52,720	0		
F-421-D-1	54,260	0		
F-422-B-1	25,372	0		
F-423-D-1	110,000	0		
F-424-D-1	233,350	0		
F-425-D-1	422,136	0		
F-428-D-1	156,175	0		
FW-28-T-15	973,108	894,042	\$296,027	\$ 222,020
FW-28-T-16	1,107,225	793,571		
FW-31-P-15	1,543,761	1,539,299		
FW-31-P-16	1,300,000	1,105,537		
FW-43-C-5	151,226	144,979		
FW-43-C-6	160,000	102,482		
FW-45-L-3	661,776	517,111		
FW-45-L-4	697,445	631,590		
FW-46-M-3	2,500,000	2,491,474		
FW-46-M-4	1,948,141	1,906,205		
W-11-L-2	0	0		
W-11-L-3	0	0		
W-33-L-5	0	0		
W-43-L-12	0	0		
W-70-L-4	0	0		
W-106-L-3	4,950,000	0		
W-142-L-1	0	0		
W-148-E-15	737,561	549,559	183,046	137,285
W-148-E-16	807,678	605,759	201,919	151,439
W-182-R-2	662,008	601,932		
W-182-R-3	722,903	606,249		
W-183-R-2	1,208,208	1,158,616		
W-183-R-3	1,401,824	1,325,544		
W-185-R-1	250,000	128,716		
W-186-E-1	350,000	0		
Total	\$46,929,491	\$27,585,889	\$680,992	\$ 510,744

COLORADO DIVISION OF WILDLIFE SITES VISITED

Headquarters

Division of Wildlife
Department of Natural Resources

Regional Offices

Northeast
Northwest
Southeast
Southwest

State Wildlife Areas

Billy Creek
Cherokee
Dome Rock
Plateau Creek
Rocky Ford

Hatchery

Durango

Motorboat Access Sites

Brush Hollow SWA
Douglas Lake
Loma SWA
Lon Hagler SWA
Rama SWA
Summit Reservoir

“Fishing is Fun” Projects

Bear Creek Lake Park
Colorado River Trail
Pikeview Reservoir
Sheldon Lake

**COLORADO DIVISION OF WILDLIFE
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
A.1, A.2, C.1, C.2, E.1, E.2, G.1, G.2, H, and I	Finding Resolved and Recommendations Not Implemented	Provide a corrective action plan that includes the actions taken or planned and the target date and the official responsible for implementation of each recommendation. The unimplemented recommendations remaining at the end of 90 days (after June 9, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
B.1,B.2*, D, F1 and F2	Finding Unresolved	Provide a corrective action plan that identifies the actions taken or planned to resolve the finding and implement the recommendations, as well as the basis for disagreement with any recommendations. The plan should also include the target date and the official responsible for implementation of each recommendation. The unimplemented recommendations remaining at the end of 90 days (after June 9, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

* Based on the Division's response to the draft report, we have added a second recommendation for this finding. Neither the Division nor FWS have had the opportunity to review or provide comments on this recommendation.

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