



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
New Jersey, Department of
Environmental Protection,
Division of Fish and Wildlife,
from July 1, 2001, through
June 30, 2003**

Report No. R-GR-FWS-0010-2004

March 2005



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

March 15, 2005

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Andrew Fedak *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 New Jersey, Department of Environmental Protection, Division of Fish and Wildlife, from July 1, 2001, through June 30, 2003 (No. R-GR-FWS-0010-2004)

This report presents the results of our audit of costs claimed by the State of New Jersey, Department of Environmental Protection, Division of Fish and Wildlife (Division) under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included reported outlays that totaled approximately \$13.8 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of State fishing and hunting license revenues and the reporting of program income.

We questioned costs totaling \$548,749 consisting of ineligible labor costs and related indirect costs, unsupported in-kind contributions, and unsupported other direct costs (see Appendix 2). We also identified a potential diversion of license revenues of \$2 million; unreported program income of \$177,576; estimated proceeds of \$49,000 from the sale of vehicles that were not returned to the Division or reported to FWS; and the use of Federal Assistance funds to maintain lands that were ineligible for Federal Assistance. We also identified needed improvements in the Division's asset management system, license certification process, time accounting system, and data backup.

FWS Region 5 provided a response to a draft of this report on February 3, 2005, which included a copy of the Department's February 1, 2005 response to FWS. The FWS response acknowledged the progress New Jersey has made to resolve several of the issues identified in the draft report and stated that it will work closely with the State in the development of the Corrective Action Plan. However, FWS did not comment on the findings and recommendations or on the Department's response. We summarized the Department's responses after our

recommendations and added our comments regarding the responses. The status of the recommendations is summarized in Appendix 4.

In accordance with the Departmental Manual (361 DM 1.5), please provide us with your written response to the recommendations included in this report by June 17, 2005. Your response should include the information requested in Appendix 4. If you have any questions regarding this report, please contact me or Mr. Lawrence Kopas, Audit Team Leader, at (703) 487-5345.

cc: Regional Director, Region 5
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 wildlife and sport fish 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 department.

Scope, Objective, and Methodology

We conducted our audit at the New Jersey Department of Environmental Protection (Department), Division of Fish and Wildlife (Division) headquarters in Trenton, New Jersey. The audit included reported outlays that totaled approximately \$13.8 million on 26 of the 32² FWS grants that were open during the State's fiscal years (SFYs) ended June 30, 2002 and 2003 (see Appendix 1). We also visited a research station, a fish hatchery, nine wildlife management areas, and five wildlife management offices (see Appendix 3). The objective of our audit was to determine:

- 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, control, and disposal; and
- the adequacy of the State's compliance with the Acts' assent legislation requirements.

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 hunting and fishing license revenues to determine whether the revenues were used for fish and wildlife program purposes. We did not evaluate the economy, efficiency, or effectiveness of the Division's operations.

¹ As amended 16 U.S.C. § 669 and 16 U.S.C. § 777, respectively

² There were no costs claimed on 6 of the 32 grants during the audit period.

Prior Audit Coverage

On September 22, 2000, we issued audit report No. 00-E-702, “U.S. Fish and Wildlife Service Federal Aid Program Grants and Payments Awarded to the State of New Jersey Department of Environmental Protection, Division of Fish, Game and Wildlife, for Fiscal Years Ended June 30, 1996 and 1997.” In addition, the State Auditor issued single audit reports on the State of New Jersey for SFYs 2002 and 2003. However, the Department was not audited as a major program, and the report did not include any findings regarding Federal Assistance funds and programs.

We reviewed these reports and followed up on all significant findings to determine whether they had been resolved prior to our review. We determined that two findings from our September 2000 report had not been resolved, which we address in the Results of Audit section of this report. First, the Division was still using the same outdated survey to eliminate potential duplicate hunting license holders in its annual license certifications. In addition, the Division was not receiving or reporting the proceeds from the disposal of vehicles that had been acquired with Federal Assistance funds and/or license fee revenues.

Results of Audit

We found that the Division's accounting system was generally adequate to account for grant and license fee receipts and disbursements. In addition, the State had adequate assent legislation in place that prohibited the use of license fees for any purpose other than the administration of the Department. However, we identified questioned costs and other issues regarding the Division's administration of its Federal Assistance grants, as follows:

- A. We identified questioned costs totaling \$548,749 consisting of:
 - 1. Labor costs of \$206,617 that were recorded on the employees' timesheets as non-Federal Assistance activities. Related indirect costs of \$50,698 were also questioned.
 - 2. In-kind contributions of \$254,248 that were not adequately supported.
 - 3. Other direct costs of \$37,186 that were not supported by adequate documentation.
- B. The New Jersey legislature appropriated \$2 million from the State's License and Permit funds to the Department's Parks Improvement account, representing a potential diversion of license revenues.
- C. Program income of \$177,576 from leases on wildlife management areas was not reported.
- D. Proceeds of \$49,000 from the disposal of vehicles were not received by the Division or reported to FWS.
- E. Federal Assistance funds were used to maintain property acquired or constructed with funds from the Land and Water Conservation Fund.
- F. Asset management controls need improvement.
- G. Hunting license certifications were based on an outdated study of duplicate license holders, and the number of reported fishing licenses was not adjusted to eliminate duplicate license holders.
- H. Procedures for backing up grant accounting data and files to prevent loss in the event of a disaster were not adequate.
- I. A deficiency in the Division's time recording system could result in labor costs being charged to the wrong grant.

A. Questioned Costs

We questioned costs totaling \$548,749 (see Appendix 2) as follows:

1. Direct Labor and Related Indirect Costs - \$257,315

We questioned costs totaling \$257,315 for ineligible labor costs and related indirect costs. The Division charged labor costs totaling \$206,617 to Federal Assistance grants, but the work activity codes recorded on the employees' timesheets were related to non-Federal Assistance projects. The indirect cost charges related to the questioned direct labor charges were \$50,698.

OMB Circular A-87, Attachment A, Section C, states that to be allowable under Federal awards, costs must be allocable to the awards and adequately documented. In these instances, we found that the employees' supervisor had not identified the coding errors on the time sheets. In addition, the Department's Accounting Time Sheet System did not have edit checks to prevent non-Federal Assistance work activities from being charged to Federal Assistance grants, and any work activity could be charged to any job number (grant number) with the exception of leave. Instead, the System relied on the employee's supervisor and the Department's Grant Management Accountant to ensure the accuracy of the codes entered.

Accordingly, we questioned \$151,289 for ineligible labor costs (\$120,424) and related indirect costs (\$30,865) on Grant No. W-68-R-6 and \$106,026 for ineligible labor costs (\$86,193) and related indirect costs (\$19,833) on Grant No. W-68-R-7.

At the completion of our review, Division officials stated that the two employees had actually worked on the Federal Assistance grants but had miscoded their time sheets. FWS will need to resolve this issue.

Recommendations

We recommend that FWS:

- a. Resolve the questioned direct labor costs of \$206,617 and related indirect costs of \$50,698.
- b. Require the Division to establish controls that prevent non-Federal Assistance work activity codes from being charged to Federal Assistance grants.

Department Response

The Division³ stated that the two employees were working under the Federal Aid grants but used the wrong activity code on their time sheets, and the supervisor did not catch the mistake. The Division added that the Federal Aid Coordinator checked the employee name and job number, but not the activity code, for the persons charging time to a grant. The Division further stated that the employees were notified to start using the correct code, and the supervisor was notified to review the time sheets more carefully. Also, the Federal Aid Coordinator will review the activity codes while reviewing charges to future grants. The Division believes that the finding has already been corrected because the employees were working on the grant and therefore the Division should not have to pay back any funds. The Division also believes that it is not feasible to maintain a database and apply edit checks on the job number and activity code combinations because of the huge volume of job numbers and activity codes that can be used by the employees. The Division is also putting controls in place to ensure that ineligible activities are not charged to Federal grants.

³ The Department's response included several statements that it attributed to the Division.

OIG Comments

The Division's response did not include sufficient information for us to determine whether (1) the two employees worked on the Federal Assistance grants during the audit period and whether the costs charged to the grant for the work performed were reasonable and (2) the controls that are being put in place to ensure that ineligible activities are not charged to Federal Assistance grants are adequate. Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

2. In-Kind Contributions - \$254,248

We questioned costs totaling \$254,248 for in-kind services that were not adequately supported.

OMB Circular A-87 requires that costs be adequately documented, and 43 CFR § 12.64(6) states that, to the extent feasible, volunteer services should be supported by the same methods the organization uses to support allocations of regular personnel costs. We found that the Division did not maintain sufficient documentation supporting the hours used to compute its matching share for the hunter education grants. For most hunter education classes, a volunteer facilitator generates a class roll identifying the instructor, class date, and a list of prospective students. However, the class roll did not identify the starting or ending time of the class or the hours attended by the instructor. Instead, the Division used a standard 10-hours for all instructors. Volunteer attendees for events, such as open houses or outdoor shows, also did not identify their starting or ending time or the hours they worked at the event. The Division's procedure was to assign a standardized amount of time contributed based on the estimated hours of the event.

The Division had decided that the electronic timekeeping system used to track employee time would be too costly to implement for tracking volunteers' time. As a result, the Division decided to use the class roll to document volunteer hours. This procedure did not accurately identify and accumulate the volunteer hours contributed.

As a result, the in-kind contributions used as state match on Grant Nos. W-50-S-30-1 (\$99,084) and W-50-S-31 (\$155,164) were not adequately supported.

Recommendations

We recommend that FWS:

- a. Resolve the unsupported in-kind contributions of \$99,084 for Grant No. W-50-S-30-1 and \$155,164 for Grant No. W-50-S-31.
- b. Require the Division to establish procedures requiring volunteers to prepare time sheets or other documentation showing their actual hours worked instead of using a standard number of hours for instructor class time and special events. The documentation should be signed by both the volunteer and the supervisor.

Department Response

The Department acknowledged that the Hunters Education program was not adequately tracking volunteer hours, but said that the electronic time sheet system used for its employees is expensive and it would not be cost-effective to use the system for its volunteers. The response stated, however, that the system to record hunter education volunteer hours has changed and that “Every volunteer must sign a log with the number of hours spent on teaching, travel and preparation shown for each event, which is then verified by a supervisor.” In addition, it is the Division’s opinion that it always has substantially more volunteer hours than needed to match the grant and that the estimated time claimed on the grant is a fair representation of the hours worked. Therefore, in the Division’s opinion, the finding has already been corrected and they should not be required to return any funds.

OIG Comments

We do not agree that the finding and recommendations are resolved. The Department’s response did not provide any additional information demonstrating that the division had received sufficient in-kind contributions to meet its matching share requirement. Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

3. Other Direct Costs – \$37,186

OMB Circular A-87, Attachment A, Section C.1.j states that for costs to be allowable, they must be adequately documented. In our testing of 26 disbursements totaling \$518,957, we identified three disbursements totaling \$37,186 on Grant Nos. F-48-R-15 (\$16,410) and W-50-S-30-1 (\$20,776) for which the Division was unable to provide supporting documentation such as a purchase order, invoice, and payment documentation.

In addition, of the 23 remaining expenditures we reviewed, 7 requisitions, 7 purchase orders, and 6 receiving reports did not have the appropriate approval signatures.

Recommendation

We recommend that FWS resolve the \$37,186 of unsupported other direct costs.

Department Response

The Department acknowledged that the supporting documentation could not be located in the records retrieved from the warehouse. The Department stated that there is an ongoing program to provide appropriate instruction on procurement and record retention procedures. Also, it is the Department’s opinion that since all the other sampled items were adequately supported, and that had these documents been located, these disbursements would also be adequately supported.

OIG Comments

We do not agree that having adequate support for most of the sampled items means that all items selected for review would be adequately supported if the additional documentation could be located. We believe that the inability to locate supporting documentation for all financial transactions indicates a control weakness that needs to be corrected. Since FWS did not comment on the finding and recommendation, we consider them unresolved. FWS should address the finding and recommendation in the corrective action plan. The plan, in addition to addressing the unsupported costs, should also identify the status of the Department's ongoing instruction program and any other actions taken or planned to ensure that controls related to the storage of accounting records are adequate.

B. Potential Diversion of License Revenues - \$2 Million

New Jersey's SFY 2005 appropriation legislation titled "An Act making appropriations for the support of State government..." appropriated \$2 million of Division revenues from the sale of properties purchased with hunting and fishing license fees to the Department's Parks Improvement account. The appropriation could result in a potential diversion of license revenues that could make the State ineligible to participate in the Sport Fish and Wildlife Restoration Acts programs.

The Code of Federal Regulations (Regulations) (50 CFR § 80.4), provides that revenues from license fees paid by hunters and fishermen shall not be diverted to purposes other than the administration of the State fish and wildlife agency. According to the regulation, license revenues include income from the sale of real property acquired with license revenues. A diversion of license fee revenues occurs when any portion of license revenues is used for any purpose other than the administration of the State fish and wildlife agency. If a diversion occurs, the State becomes ineligible to participate under the pertinent Act from the date the diversion is declared by the FWS Director until the State has adequate legislative prohibitions in place to prevent a diversion.

New Jersey Statutes Annotated, Title 23:3-11, Disposition of Fees, states that all fees for licenses and permits received by the Division of Fish, Game and Shellfisheries (now the Division of Fish and Wildlife), shall be remitted to the State Treasurer and shall be credited to a fund to be known as the Hunters' and Anglers' License Fund. The Statute further states that this fund shall be used exclusively for such purposes and activities as the Division deems to be in best interest of the wildlife resources of the State. The fund is to be kept separate and apart from all other State monies and disbursed by the State Treasurer on vouchers certified to by the Division.

In a July 19, 2004 letter to the Chairman of the Assembly Budget Committee, the Department requested that the Joint Budget Oversight Committee transfer funds from other accounts to the Parks Improvement account rather than take it from the Hunters' and Anglers' License Fund. The State Treasurer's Office and the Office of Legislative Services were reviewing the issue, but a target date for resolution of the issue has not been set.

Recommendations

We recommend that FWS:

1. Work with the Division and the Department to develop an appropriate resolution of this issue, which would include rescinding the language within the recently enacted New Jersey law that authorized the appropriation of Division revenues to the Parks Improvement account.
2. Ensure that any funds that have been transferred from the Hunters' and Anglers' License Fund to the Parks Improvement account are returned to the Fund.

Department Response

The Department said that on December 9, 2004, the Joint Budget Oversight Committee approved the Department's request to transfer money from accounts other than the Division's land sale account to the Division of Parks and Forestry's Capital Improvements account. In addition, the Department stated that no money was ever transferred from the Hunters' and Anglers' License Fund.

OIG Comments

The initial appropriation legislation language has not been rescinded. Therefore, even though the capital improvement funds are now obtained from another source, the potential exists for the use of the license fee funds until the legislation concludes at the end of SFY 2005. Also, we have modified the recommendation regarding the transfer of funds to the Parks Improvement account to reflect that at the time of our audit, we were not aware of any transfers from the Fund to the Parks Improvement account. Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

C. Program Income

The Division earned revenues of \$177,576 from leases on 18 wildlife management areas (WMAs) operated and maintained with Federal Assistance funds. These leases included:

- 6 WMAs with commercially active billboards, including one WMA (Absecon WMA), where the lease expired but there is still a commercially active billboard on the land.
- 12 WMAs with other operations (e.g., communication towers, house rentals, and a riding stable).

The Division did not report these revenues as program income on the Financial Status Reports (SF 269) for grants FW-63-D-17 (\$88,788) and FW-63-D-18 (\$88,788) and had not identified anticipated program income in the grant agreements.

The Regulations (43 CFR § 12.65) define program income as gross income received by a grantee directly generated by a grant-supported activity and states that program income should be deducted from total grant costs to determine the net costs on which the grantor's share will be based or added to the project funds to further the eligible objectives. Division management officials agreed with the finding and stated they did not report the lease income as program income because the revenues were being credited to the Department's Green Acres land program, which does not receive Federal Assistance funds.

Recommendations

We recommend that FWS:

1. Resolve the issue of the \$177,576 of unreported program income.
2. Coordinate with the Division and the Department to ensure that all program income is properly reported on future grants.
3. Require the Division to identify all billboards that are on wildlife management areas, determine if there are leases for them, and determine whether the program income has been credited to the Division.

Department Response

The Division stated that it has held preliminary discussions with FWS about clarification of program income guidelines during the audit period and current guidelines. Additional information is being compiled for future discussions.

OIG Comments

Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

D. Vehicle Disposal Proceeds

The Division did not receive the proceeds from the New Jersey Department of the Treasury (Treasury) from the disposal of 49 retired vehicles that had been purchased with Federal Assistance and license revenue funds. We also identified this finding in our prior audit report covering fiscal years 1996 and 1997.

In a May 7, 1998 opinion, the New Jersey State Attorney General determined that proceeds from the sale of Division vehicles purchased with license fee monies or Federal Aid reimbursements were diverted to the general fund. Since 1994, revenues from the disposal of Division of Fish, Game, and Wildlife (DFGW - the predecessor agency to the Division) vehicles purchased with federal and state funds were, upon disposition, deposited into the general fund. On August 24, 1998, the Treasury and the Department agreed that \$1,000 per vehicle should be returned to the Department, in accordance with the State Attorney General's opinion. In the future, proceeds

from the disposal of Division vehicles will be valued at the fair market value and credited to the Department at the time of disposition.

In addition, New Jersey Treasury Circular Letter No. 00-16-DPP on Excess/Surplus Property Procedures states, "All property purchased with Federal Title Funds and designated as surplus must be redistributed or disposed of in accordance with regulations applicable to the Federal title under which they were purchased. Surplus property purchased with federal funds to which the Federal Government makes no claim and/or relinquishes any claim, shall be regarded as State Surplus Property and shall be disposed of in accordance with the State's guidelines [in this case, the Attorney General Opinion] for the disposal of Excess/Surplus Property set forth in the Circular."

When a vehicle is no longer adequate for service and is retired before replacement, it is disposed of through the Treasury Distribution & Support Services' Surplus Property Unit after the replacement is received. Proceeds from the disposal are then deposited to the State's general fund instead of crediting the amount to the Division. According to Division officials, Treasury management officials believe that it is the Division's responsibility to request the disposal proceeds from Treasury.

One Division management official told us that the Division did not establish a routine procedure to request promptly the transfer of funds from the New Jersey Treasury and did not have sufficient staff to follow up with Treasury about the disposal proceeds. For SFYs 2002 and 2003, the Division and the Department's Division of Central Services could not determine the amount due for the retired vehicles because their records of vehicle disposals did not agree.

The Division's records did not identify the fair market value of the disposed vehicles. However, using the \$1,000 per vehicle amount previously agreed upon between the New Jersey Treasury and the Department for the earlier period, we estimate that the Division should have recovered at least \$49,000 for the vehicles disposed of during the audit period.

Recommendations

We recommend that FWS:

1. Resolve the issue of the number of vehicles turned in for disposal, the fair market value of the vehicles, the recovery of the appropriate amounts from the Treasury for those vehicles, and the treatment of these revenues with respect to the Federal Assistance grants and the Hunters' and Anglers' License Fund.
2. Require the Division and the Department to establish routine procedures to monitor periodically, identify, and submit requests to the New Jersey Department of the Treasury for vehicle disposal proceeds according to the provisions identified in the State Attorney General opinion of May 7, 1998.

Department Response

The response stated that the Division will receive \$74,850 from Treasury for vehicles sold in SFYs 2002 and 2003, and will receive additional payments for vehicles sold for

SFY 2004. The response further stated that future reimbursements will be based on the vehicle's fair market value rather than the \$1,000 per vehicle used for prior years. Also, the Division will handle reimbursement requests to Treasury on future vehicle sales.

OIG Comments

Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

E. Ineligible Use of Federal Assistance Funds on Property Acquired or Constructed with Land and Water Conservation Fund (LWCF) Monies

The Division used Federal Assistance funds to maintain real property purchased with LWCF monies. Chapter 522 FW 7.5B of the U.S. Fish and Wildlife Service Manual (Service Manual) states that Federal Assistance funds cannot be used to operate or maintain properties or facilities purchased or constructed under the LWCF Act (16 U.S.C. §§ 4601-8). 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. Division officials said they were not aware of the requirement that Federal Assistance funds could not be used to operate or maintain properties purchased using LWCF monies.

The Division identified 13 WMAs, which included parcels of land that were acquired with LWCF monies. These WMAs were included in the annual statewide operation and maintenance grants for SFY 2002 (Grant No. FW-63-D-17) and SFY 2003 (Grant No. FW-63-D-18). However, we were unable to determine the amount of Federal Assistance funds used for maintenance of the 13 WMAs or the LWCF lands and facilities in those areas because the State's accounting system did not account for costs at the WMA level. The lowest level of accounting was at the grant level.

Recommendations

We recommend that FWS:

1. Resolve the issue of Federal Assistance funds used to operate and maintain the lands acquired or the facilities developed with LWCF monies in the 13 WMAs.
2. Assist the Division in developing a methodology to discontinue using Federal Assistance funds to operate and maintain lands and facilities acquired or developed with LWCF monies.

Department Response

The response stated that the Division was not aware that no additional Federal funds could be spent on lands that were purchased with LWCF monies. The response also stated that during the grant period, only salaries, fringe benefits, and indirect costs were paid by the Federal Assistance grant and that all operating costs were paid by the State.

The response further stated that it was not known how much was spent on individual parcels of land purchased with LWCF monies. The Division stated that the restriction on the use of Federal Assistance funds should apply only to those land parcels purchased with LWCF monies and not the entire WMA. Should FWS determine that the restriction applies to only those parcels purchased with LWCF, the Division will have to map those parcels and determine how much money was spent on those parcels.

OIG Comments

We agree that the restriction on using Federal Assistance funds for operation and maintenance should apply only to parcels of land acquired with LWCF funds and not the entire WMA. We have revised the report to clarify this issue. Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

F. Asset Management

The Division's equipment inventory lists contained incomplete and inaccurate data for equipment purchased with Federal Assistance funds or license revenues and did not identify the amount of Federal participation in the acquisition of the item.

The Department's Policy and Procedures No. 1.17, Physical Fixed Asset Inventory System, requires that a "Physical Fixed Asset Summary Report" be submitted within 30 days after the end of each fiscal year, along with a statement that the data in the report have been updated at least once during the preceding 12 months and certified as accurate and complete. In addition, an update form is to be completed whenever a change-in-status occurs regarding an existing asset. Policy and Procedures No. 1.17 defines a "Change-in-Status" as any circumstance that invalidates the accuracy of data stored in the inventory system.

To determine whether the Division had adequate controls in place to account for and safeguard personal property acquired with Federal Assistance funds, we selected a sample of 64 items (valued at \$362,072) of the 547 items (valued at \$7,784,809) on the inventory lists at the Division's three regional offices. The results of our review follow:

- 5 items having a total value of \$9,027 could not be located, including:
 - Two laptop computers valued at \$4,058
 - A computer valued at \$1,622
 - A radio scanner valued at \$2,000
 - A fax/copier valued at \$1,347
- 26 items valued at \$160,432 were not at the locations shown on the inventory list. Officials at the sites told us that the items had been loaned or transferred to other sites. However, the regional offices had not established procedures, such as sign in/out registers to document the location of property that had been loaned or transferred.

- 2 radio scanners with an estimated value of \$4,000 that were observed during our site visits were not recorded on the equipment inventory lists for the sites.

In addition, two field managers we interviewed did not complete update forms and submit them to the Division headquarters when identifying changes needed to their inventory. Instead, they only made changes on the inventory certification sheets as the basis for updating the information in the inventory system. However, another field manager told us that noting changes on the inventory certifications did not appear to be used to update the inventory list.

Recommendations

We recommend that FWS require the Division to:

1. Maintain adequate records of equipment status, such as sign in/out registers or hand receipt files, when equipment assigned to specific employees is in use at another location.
2. Update the official equipment inventory listing to reflect the results of the latest physical inventory.
3. Modify the official equipment inventory listing to include the amount or percentage of Federal Assistance participation in each equipment item.

Department Response

The Department stated that it would remind Division employees to utilize the existing Policy and Procedures No. 1.17 whenever equipment is relocated. The Department also stated that it “conducts and certifies an annual physical inventory, which will be independently reviewed and subsequently certified by the Department’s Office of Audit as an additional internal control measure.”

OIG Comments

Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations in the corrective action plan.

G. Hunting and Fishing License Certifications

The number of hunting licenses reported by the Division in its annual license certifications for license years 2001 and 2002 included a 12 percent adjustment to eliminate potential duplicate license holders. However, the adjustment factor was based on the same survey that our prior audit report covering fiscal years 1996 and 1997 identified as outdated. The survey may not reflect current conditions. In addition, the number of fishing licenses reported in the 2001 and 2002 certifications did not include an adjustment to eliminate duplicate license holders.

According to 50 CFR § 80.10 (c)(5), individuals holding more than one license to hunt or fish shall not be counted more than once as a hunting or fishing license holder. In addition, the Service Manual [522 FW 2.7(1), Grantee Administration] recommends that surveys to determine and adjust for duplicate license holders be conducted every 5 years or sooner if there is a change in the license structure.

Our prior audit report recommended that the Division (1) ensure that duplication factors are updated in a timely manner and (2) compute a duplication factor for fishing license holders. Contrary to FWS records that indicated the corrective action plan was implemented and information was sent to the Department of the Interior's Office of Financial Management to close out the report in the tracking system, our current audit found that corrective action had not been taken.

The survey was not updated because the Division is preparing a request for pricing to acquire and implement a computerized license sales (point of sale) system to report licenses, collect sales revenue, and identify duplicate license holders. The Division expects to have the system operational sometime in 2005 and plans to update the survey this year for the 2005 hunting license holders certification. In addition, Division personnel stated that the only way to identify duplicate fishing license holders would be to establish a database of the names and review it for duplications, which would require a significant effort on the part of Division personnel.

Recommendations

We recommend that FWS:

1. Ensure that the Division conducts a new survey for hunting license sales to assess whether there is a need to change the current formula being used to eliminate duplicate hunting license holders.
2. Ensure that the Division develops a process for eliminating duplicate fishing license holders in its annual license certifications.

Department Response

The Department stated that a new Hunter Harvest Survey was conducted in 2004, which determined a 29 percent duplication rate for firearm, bow, and arrow license sales. The Department also said that a database of two-day and seven-day fishing license holders is being developed that will identify the percentage of license holders buying duplicate licenses. This information will be available for the 2004 license certification.

OIG Comments

The Division had been using an outdated survey, prepared in 1991 or earlier, to estimate duplicate hunting license holders in its annual certifications. The 29 percent duplication rate for firearm and bow and arrow sales is significantly higher than the 12 percent rate used until the 2003 certification, indicating that the number of license holders reported in the license certifications for license years 2001 and 2002 may have been significantly

overstated. Since FWS did not comment on the finding and recommendations, we consider them unresolved. FWS should address the finding and recommendations, as well as the potential overstatement of license revenues, in the corrective action plan.

H. Accounting System

A basic management control objective for any organization is to protect the data supporting its critical operations. This would include the periodic backup of data and files and storing the data at an off-site location. In the event a disaster occurred, these data files could be lost and the Department would be required to reconstruct the financial data for its Federal Assistance grants.

The Department did not adequately back-up the data kept on the spreadsheets that it used to determine total grant expenditures. All grant expenditure data is in the Department's Business Objects Application (BOA) that resides on the Department's local area network, which is backed up periodically, with the backup data stored at an off-site location.

Data from BOA is downloaded into Excel spreadsheets containing formulas used to determine total grant expenditures. The spreadsheets reside on the Department's Grant Management Accountant's local hard drive and not on a network server that is backed up daily with data kept off-site. The only backup for these spreadsheets is on floppy disks kept at the accountant's desk. We consider this condition to be a general control weakness in the Department's financial systems.

Recommendation

We recommend that FWS work with the Division to ensure that the Federal Assistance spreadsheet files are kept on the Department's local area network, periodically backed up, and stored off-site to prevent loss in case of a disaster.

Department Response

The Department stated that all source data exists in the Department's Data Warehouse and is accessed using BOA. The Data Warehouse is backed-up daily and those backups are kept at an off-site location. Grant cost information from the Data Warehouse BOA reports is entered into Excel spreadsheets containing formulas. The source information continues to reside in the Data Warehouse and the Excel spreadsheets could be easily reproduced, if necessary. In May 2004, the Department began utilizing a Departmental network drive for all grant-related work, which is backed-up daily to prevent any loss and eliminate the need to reproduce the Excel spreadsheets in the case of a disaster.

OIG Comments

Since FWS did not comment on the finding and recommendation, we consider them unresolved. FWS should address the finding and recommendation in the corrective action plan.

I. Labor System

The Regulations (43 CFR § 12.63) state that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations during the funding period. We identified a deficiency in the Department's Cost Accounting/Time Sheet System (CATS) that could potentially result in labor costs charges to the wrong grant. We did not, however, identify any incorrect charges resulting from this deficiency.

CATS included a transaction date which showed when labor hour information was entered. The Division used this transaction date as the date the cost was incurred for Federal Assistance reporting. However, the transaction date was not always the actual date that the Division incurred the obligation. The payroll cost data and time sheet data are loaded into BOA, which contains all expenditure data for Federal assistance grants and is used by the Division for preparing drawdown requests. Labor costs could be charged to the wrong grant because the pay period ending dates in BOA do not always match the actual pay period ending dates in the State payroll system. The transaction date in BOA is the date that the BOA distributed the hours from the time sheet to the related projects. Under normal circumstances, the BOA and state payroll system dates will match. However, certain situations, such as a late submission of a time sheet or the posting of overtime, could delay the distribution of costs in CATS, resulting in different dates in the two systems. Problems could arise when grants are closed and additional cost data is entered into CATS when a new grant period has started. These conditions could result in labor charges to the wrong grant.

At the time of our review, the Division was in the process of redesigning CATS and BOA to correct the distribution of data between the two systems. When we brought this matter to the Division's attention, it agreed to address the issue as part of the redesign. The redesigned BOA will use the pay period ending date to track labor hours. This change was scheduled for implementation in October 2004.

Recommendation

We recommend that FWS ensure that the redesigned system is adequate to ensure that the correct dates are used in assigning payroll costs to the appropriate grant.

Department Response

The Department stated that it recently discovered the potential difference in the pay period ending dates between the Data Warehouse transaction date and CATS. In most cases, the dates will match. However, the Department has addressed this issue in the next version of CATS (e-CATS). This change is now scheduled to be implemented in March 2005. In addition, the Department has developed and is testing a program that will be able to correct the existing errors prior to implementation of the new version.

OIG Comments

Since FWS did not comment on the finding and recommendation, we consider them unresolved. FWS should address the finding and recommendation in the corrective action plan.

**NEW JERSEY DIVISION OF FISH AND WILDLIFE
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Total Outlays	Outlays SFY 02/03	Questioned Costs
F-15-R-43	\$986,998	\$1,256,027	\$1,050,299	
F-15-R-44	986,998	1,016,730	1,016,730	
F-15-R-45	935,436	537,178	537,178	
F-48-R-15	190,000	156,412	156,412	\$16,410
F-48-R-16	200,000	225,237	225,237	
F-48-R-17	200,170	196,309	196,309	
F-50-D-16	800,000	800,000		
F-50-D-17	735,664	820,732		
F-50-D-18	735,664	735,681	735,681	
F-52-E-15	160,000	205,968	182,328	
F-52-E-16	160,000	176,795	176,795	
F-52-E-17	160,000	68,344	63,185	
F-69-D-9	273,333	369,400	298,386	
F-69-D-10	250,100	385,843	360,569	
F-69-D-11	304,564	393,191	131,852	
F-71-D-1	344,000	12,750		
F-72-D-1	300,000			
F-113-R-8	20,000			
FW-49-C-30	160,000	117,588	102,028	
FW-49-C-31	200,000	124,842	124,842	
FW-49-C-32	122,000	122,212	55,168	
FW-56-T-27	300,000	264,594	264,594	
FW-56-T-28	300,000	235,977	235,977	
FW-63-D-17	1,440,000	1,961,714	1,961,714	
FW-63-D-18	1,480,000	3,298,896	3,298,896	
FW-69-R-5	64,852	48,813	48,813	
FW-69-R-6	65,913	47,743	47,743	
FWA-1-P-1	60,000	30,795		
W-50-S-30-1	1,460,000	981,735	470,460	119,860
W-50-S-31	840,000	687,821	687,821	155,164
W-68-R-6	840,000	833,130	528,672	151,289
W-68-R-7	989,108	863,865	863,865	106,026
Total	\$16,064,800	\$16,976,322	\$13,821,554	\$548,749

**NEW JERSEY DIVISION OF FISH AND WILDLIFE
SUMMARY OF QUESTIONED COSTS**

Grant No.	Labor Costs	Related Indirect	In-Kind	Other Direct Costs	Total
F-15-R-43					
F-15-R-44					
F-15-R-45					
F-48-R-15				\$16,410	\$16,410
F-48-R-16					
F-48-R-17					
F-50-D-16					
F-50-D-17					
F-50-D-18					
F-52-E-15					
F-52-E-16					
F-52-E-17					
F-69-D-9					
F-69-D-10					
F-69-D-11					
F-71-D-1					
F-72-D-1					
F-113-R-8					
FW-49-C-30					
FW-49-C-31					
FW-49-C-32					
FW-56-T-27					
FW-56-T-28					
FW-63-D-17					
FW-63-D-18					
FW-69-R-5					
FW-69-R-6					
FWA-1-P-1					
W-50-S-30-1			\$99,084	20,776	119,860
W-50-S-31			155,164		155,164
W-68-R-6	\$120,424	\$30,865			151,289
W-68-R-7	86,193	19,833			106,026
Total	\$206,617	\$50,698	\$254,248	\$37,186	\$548,749

**NEW JERSEY
DIVISION OF FISH AND WILDLIFE
SITES VISITED**

Wildlife Management Units

Central Regional Office – Robbinsville, NJ
New Jersey Department of Environmental Protection – Trenton, NJ
New Jersey Division of Fish and Wildlife - Trenton, NJ
Northern Regional Office – Hampton, NJ
Southern Regional Office – Sicklerville, NJ

Wildlife Management Areas

Absecon WMA
Berkshire Valley WMA
Great Bay Boulevard WMA
Hamburg Mountain WMA
Ken Lockwood Gorge WMA
Logan Pond WMA
Peaslee WMA
Whiting WMA
Winslow WMA

Fish Hatchery

Pequest Fish Hatchery

Research Station

Nacote Creek Research Station

**NEW JERSEY
DIVISION OF FISH AND WILDLIFE
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
A.1a, A.1b, A.2a, A.2b, A.3, B.1, B.2, C.1, C.2, C.3, D.1, D.2, E.1, E.2, F.1, F.2, F.3, G.1, G.2, H, and I	Finding Unresolved and Recommendations Unimplemented	Provide a corrective action plan that identifies the actions taken or planned to resolve the finding and implement the recommendations, or the basis for any disagreements. The plan should also include the target date and the official responsible for implementation of the recommendation, or an alternative solution. Unresolved findings and unimplemented recommendations remaining at the end of 90 days (after June 17, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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