



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

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Motorboat
Access Grants Administered by the
State of California, Department of
Fish and Game, from July 1, 2001
through June 30, 2003**

**Report No. R-GR-FWS-0003-2005
July 2005**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

July 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 Motorboat Access Grants Administered by the State of California, Department of Fish and Game, from July 1, 2001 through June 30, 2003 (No. R-GR-FWS-0003-2005)

This report presents the results of our audit of costs claimed by the State of California, Department of Fish and Game (Department) under Federal Assistance Motorboat Access grants from the U.S. Fish and Wildlife Service (FWS). The audit included reported outlays that totaled approximately \$14 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1).

We conducted our audit in conjunction with our initial review of the Department's non-Motorboat Access Federal Assistance grants (Assignment No. R-GR-FWS-0018-2003). We conducted a separate review of motorboat access grants in order to coordinate the review with another State agency, the Department of Boating and Waterways, which was involved in the administration of these grants.

We questioned costs totaling \$651,608, consisting of costs incurred prior to the grant period (\$445,944) and costs that were not supported by adequate documentation (\$205,664). We also found that the Department drew down Federal Assistance funds before the costs were incurred.

FWS Region 1 provided a response to a draft of this report on May 26, 2005, which included a copy of the Department's May 11, 2005 response to FWS. FWS and the Department generally concurred with the audit findings and recommendations. We summarized the FWS and Department responses after the 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), please provide us with your written response to the recommendations included in this report by October 17, 2005. Your response should include the information requested in Appendix 4. If you have any questions regarding this report, please contact Mr. Tim Horsma, Audit Team Leader, at (916) 978-5668, or me at (703) 487-5345.

cc: Regional Director, Region 1
U.S. Fish and Wildlife Service

Introduction

Background

The Dingell-Johnson Sport Fish Restoration Act (Act)¹ authorized the U.S. Fish and Wildlife Service (FWS) to provide Federal Assistance grants to states to enhance their sport fish programs. The Act provided for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. The Act also provided that at least 15 percent of a State's Sport Fish Restoration apportionment be allocated to motorboat access projects.

Scope, Objective, and Methodology

We conducted our audit at the California Department of Fish and Game (Department), the Department's Wildlife Conservation Board (WCB), and the Department of Boating and Waterways (DBW) headquarters in Sacramento, California. WCB has the primary responsibility for administering the Department's Motorboat Access grants, and both WCB and DBW are responsible for developing and monitoring design and construction contracts with local entities. The audit included reported outlays that totaled approximately \$14 million on 19 of the 21² FWS grants that were open during the State's fiscal years (SFYs) ended June 30, 2002 and 2003 (see Appendix 1). We also visited five motorboat access projects (see Appendix 3).

The objective of our audit was to determine:

- the adequacy of the Department's accounting system and related internal controls with respect to Federal Assistance Motorboat Access grants, and
- the accuracy and eligibility of the direct and indirect costs claimed under the Motorboat Access grant agreements with FWS.

We did not review the adequacy of the Department's purchasing and labor system, the State's assent legislation, or the collection and use of license revenues because these areas were covered under our other audit of the Department's Federal Assistance grants (Report No. R-GR-FWS-0018-2003).

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 Department to the grants and interviews with employees to ensure that personnel costs charged

¹ As amended, 16 U.S.C. § 777.

² There were no reported outlays on 2 of the 21 grants during the audit period.

to the grants were supportable. We did not evaluate the economy, efficiency, or effectiveness of the Department or WCB operations.

Prior Audit Coverage

On February 13, 1997, we issued audit report No. 97-E-450, “U.S. Fish and Wildlife Service Federal Aid Grants to the State of California for Fiscal Years 1994 and 1995,” which transmitted a report prepared by the Defense Contract Audit Agency (DCAA). The report contained a finding that the State did not ensure that it had met its matching requirements before it drew down Federal Assistance funds.

On July 15, 2005, we issued audit report No. R-GR-FWS-0018-2003, “Audit Report on the U.S. Fish and Wildlife Service’s Federal Assistance Grants Administered by the State of California, Department of Fish and Game, from July 1, 2001, through June 30, 2003”, the Department’s non-motorboat access Federal Assistance grants. This report also contained a finding on the Department’s monitoring of its matching costs.

While the findings in these reports were limited to the Department’s monitoring of its matching share, our current review found that WCB was not monitoring all grant costs to ensure sufficient costs had been incurred to support its drawdowns, as discussed in Finding A.

In addition, we reviewed the State of California’s Single Audit reports for SFYs 2001 and 2002. The State’s Sport Fish Restoration Program was not selected for testing in the Single Audits. These reports did not contain findings that would affect the Department’s Motorboat Access grants.

Results of Audit

We found that the Department's accounting system was generally adequate to account for grant receipts and disbursements, except as discussed below in Finding A. However, we identified questioned costs and other issues regarding the Department's administration of its Federal Assistance Motorboat Access program, as follows:

- A. We questioned costs totaling \$651,608 consisting of:
1. Costs of \$445,944 on five grants that were incurred prior to the grant period (out-of-period costs).
 2. Costs of \$205,664 on two grants, which were unsupported because the Department did not have documentation that the costs were incurred.

A. Questioned Costs

We questioned costs totaling \$651,608 as follows:

1. Out-of-Period Costs - \$445,944

We questioned costs totaling \$445,945 that were incurred prior to the grant period. The Code of Federal Regulations [43 CFR §12.63(a)] states, "Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the period..." In addition, OMB Circular A-87, Attachment B, item 32, states that costs incurred prior to the effective date of the award "are allowable... only with the written approval of the awarding agency." There was no documentation in the files showing that FWS had approved these costs. The questioned costs were for engineering and design work on five grants, as summarized below (see Appendix 2 for additional details):

Summary of Out-of-Period Costs

Grant Number	Costs Incurred Prior to Grant Period	Effective Date of Grant	Initial Date Costs Were Incurred
F-95-B-1	\$92,743	December 1998	August 1997
F-97-B-1	116,136	October 2001	May 1999
F-100-B-1	86,144	October 2000	1997
F-112-B-1	29,806	April 2003	November 2002
F-113-B-1	121,115	May 2003	March 2002
	<u>\$445,944</u>		

We found that WCB did not have policies and procedures to ensure that costs charged to Federal

Assistance grants were incurred within the grant period.

Recommendations

We recommend that FWS:

1. Resolve the out-of-period costs of \$445,944 on the five grants.
2. Require the Department to develop policies and procedures to identify and incorporate pre-grant costs into Applications for Federal Assistance and ensure that costs claimed were incurred within the grant period.

FWS Response

FWS concurred with the finding and recommendations. FWS stated that the Department amended the grants, with the exception of Grant No. F-100-B-1, to include eligible pre-agreement costs. In addition, FWS suggested that the two recommendations related to policies and procedures be combined.

Department Response

The Department stated that it agreed with the finding and recommendations.

Regarding Recommendation 1, the Department stated that FWS had approved amendments for four of the five grants to include pre-agreement costs, but the Department did not believe that it could amend Grant No. F-100-B-1 because it is closed. Regarding this grant, the Department stated that although an original grant application had expired, FWS approved a grant application prior to the beginning of construction that contained a budget, which outlined preconstruction costs. The Department also stated that in reviewing its records, WCB was uncertain as to whether pre-construction costs were included in the amounts of Federal Assistance drawn.

Regarding Recommendation 2, the Department stated that it is revising its policy and procedures to verify the invoice period against the grant agreement period.

OIG Comment

Based on the responses, we combined the two recommendations related to policies and procedures for incorporating pre-grant costs into the grant agreement and ensuring costs claimed are within the grant period. The responses indicated that sufficient action has been taken for four of the five grants with out-of-period costs, but did not identify how the questioned costs on the remaining grant would be resolved. In addition, the Department stated that it is revising its policies and procedures; however, the revisions

have not been completed or reviewed by FWS. Therefore, we consider the finding unresolved and the recommendations not implemented.

2. Unsupported Costs - \$205,664

The regulations [50 CFR 80.15(a)] require that “all costs must be supported by source documents or other records, as necessary, to substantiate the application of funds.” WCB drew down funds totaling \$358,647 on three grants based on reported costs of \$478,062 before receiving documentation showing that the costs had been incurred. We are questioning costs of \$205,664 on two of the grants because the WCB had not yet received documentation supporting these expenditures as of the completion of our audit. The results of our review are summarized below.

Summary of Unsupported Costs and Early Drawdowns

Grant No.	Total Costs Claimed	Unsupported Claimed Costs		Total Drawdowns	Unsupported Drawdowns	
		At Drawdown	End of Audit		At Drawdown	End of Audit
F-92-B-1	\$913,000	\$60,723	\$10,664	\$684,750	\$45,542	\$7,998
F-101-B-1	195,000	195,000	195,000	146,351	146,351	146,351
F-113-B-1	<u>1,370,605</u>	<u>222,339</u>	<u>0</u>	<u>1,027,954</u>	<u>166,754</u>	<u>0</u>
	<u>\$2,478,605</u>	<u>\$478,062</u>	<u>\$205,664</u>	<u>\$1,859,055</u>	<u>\$358,647</u>	<u>\$154,349</u>

Subsequent to its drawdown on Grant No. F-113-B-1, the Department received supporting documentation for the remaining \$222,339. However, as of the completion of our audit, the Department had not received documentation supporting costs of \$10,664 on Grant No. F-92-B-1 and \$195,000 on Grant No. F-101-B-1. Accordingly, we have classified costs totaling \$205,664 as unsupported. The details for each grant follow:

Grant F-92-B-1 In July 2002, WCB drew down \$684,750 on this grant, which had ended on June 30, 2002. The drawdown, which represented the full Federal share (75 percent) of the \$913,000 grant, was made before WCB received documentation showing that the costs had been incurred. The project was a joint effort between DBW and Monterey County. In September 2002, subsequent to the drawdown, DBW submitted an invoice to WCB for the \$684,750. These costs were reported as incurred by Monterey County under its \$913,000 contract with DBW. However, DBW’s documentation showed payments to Monterey County totaling only \$902,336, or \$10,664 less than the amount used by WCB as the basis for its drawdown. Accordingly, we are questioning costs of \$10,664 as unsupported. The unsupported drawdown related to these costs was \$7,998 (75 percent of \$10,664).

The documentation also showed that Monterey County had incurred only \$852,277 at the time of the drawdown, or \$60,723 less than the \$913,000 amount used to compute the drawdown. Therefore, WCB drew down \$45,542 (\$60,723 X .75) more than it was entitled to based on the costs incurred at the time of the drawdown. In addition, DBW’s documentation showed that it did not make the final payment to Monterey County until June 2003, a year after the drawdown.

Grant F-101-B-1 In September 2004, WCB made an interim drawdown of \$146,351. The grant project was a joint effort between WCB and the City of Redding (City). The drawdown was based on 75 percent of a \$195,000 advance that WCB made to the City in April 2002. The City was to subsequently invoice WCB and obtain approval to charge the advance for its incurred costs. However, WCB had not received or approved any invoices from the City prior to making the drawdown. Although a WCB program staff member said that the project is substantially complete, the City has not yet provided invoices to WCB. Therefore, we are questioning \$195,000 as unsupported.

Grant F-113-B-1 In September 2004, WCB made an interim drawdown of \$1,027,954, based on reported costs of \$1,370,605. The project was a joint effort between the WCB, DBW, and the Spalding Community Services District (District). The drawdown was based, in part, on 75 percent (the Federal share on the Department's Motorboat Access grant agreements) of the \$1,218,570 of advances DBW had made to the District and invoiced WCB. The District was to subsequently invoice DBW for its actual costs and obtain approval to charge the advance for those costs. However, as of DBW's September 7, 2004 invoice to WCB, DBW had only approved District costs totaling \$996,231 (to be charged against the advanced funds). Therefore, reported costs of \$222,339 (\$1,218,570 less \$996,231) had not been incurred and/or approved for payment (from advanced funds) at the time of the drawdown. Subsequent to the drawdown, the Department received documentation supporting the remaining \$222,339.

We concluded that WCB did not have adequate policies and procedures to ensure that drawdowns of Federal Assistance funds were based on costs incurred. According to WCB and DBW staff, additional guidance will be developed to address this issue.

Recommendations

We recommend that FWS:

1. Resolve the unsupported costs of \$205,664 on the two grants.
2. Require WCB to develop and implement policies and procedures to ensure that drawdowns of Federal Assistance funds are based on costs incurred prior to the drawdown.

FWS Response

FWS concurred with the finding and recommendations and stated that it is working with the Department to address needed policies and procedures and to obtain supporting documentation.

Department Response

The Department stated that it agreed with the finding and recommendations.

The Department stated that it has received invoices from the City of Redding that support the \$195,000 claimed on Grant No. F-101-B-1 and that with the exception of Grant No. F-92-B-1, all unsupported costs are now resolved. The Department also stated that it is revising its policies and procedures to ensure that expenses incurred are fully documented before Federal Assistance funds are drawn.

OIG Comments

Although FWS and the Department concurred with the finding and recommendations, the responses did not identify how the remaining unsupported cost of \$10,664 on Grant No. F-92-B-1 would be resolved. In addition, the response indicates that the policies and procedures are still being developed and therefore FWS has not yet reviewed or accepted them. Therefore, we consider the finding unresolved and the recommendations not implemented.

Appendix 1

CALIFORNIA DEPARTMENT OF FISH AND GAME MOTORBOAT ACCESS GRANTS FINANCIAL SUMMARY OF REVIEW COVERAGE JULY 1, 2001 THROUGH JUNE 30, 2003

Grant Number	Grant Amount	Total Outlays	<u>Questioned Costs</u>	
			Out-of- Period	Unsupported
F-76-B-1	\$1,806,651	\$1,702,041		
F-85-B-1	731,000	628,934		
F-87-B-1	1,074,520	839,369		
F-92-B-1	913,000	913,000		\$10,664
F-94-B-1	430,000	430,000		
F-95-B-1	3,071,000	175,303	\$ 92,743	
F-97-B-1	2,353,816	1,404,795	116,136	
F-98-B-1	500,400	500,077		
F-99-B-1	111,650	109,888		
F-100-B-1	1,447,415	1,447,415	86,144	
F-101-B-1	338,600	195,135		195,000
F-102-B-1	293,568	272,262		
F-104-B-1	278,780	0		
F-105-B-1	2,459,100	2,459,100		
F-106-B-1	767,280	767,280		
F-107-B-1	436,304	0		
F-108-B-1	659,379	407,485		
F-109-B-1	175,700	175,700		
F-110-B-1	182,800	128,998		
F-112-B-1	800,600	60,000	29,806	
F-113-B-1	3,141,133	1,370,605	121,115	
Total	\$21,972,696	\$13,987,387	\$445,944	\$205,664

**CALIFORNIA DEPARTMENT OF FISH AND GAME
MOTORBOAT ACCESS GRANTS
DETAILS ON OUT-OF-PERIOD COSTS
JULY 1, 2001 THROUGH JUNE 30, 2003**

Grant F-95-B-1 In September 2004, the WCB made an interim drawdown of \$131,478 based on recorded costs of \$175,303. However, the recorded costs included \$92,743 (from DBW) for engineering and design that were incurred prior to the December 3, 1998, effective date of the grant, including some costs that were incurred as early as August 1997.

Grant F-97-B-1 In September 2004, the WCB made an interim drawdown of \$1,053,596 based on recorded costs of \$1,404,795. However, the recorded costs included \$116,136 (from DBW) for design work that were incurred prior to the October 1, 2001, effective date of the grant, including some costs that were incurred as early as May 1999.

Grant F-100-B-1 The Final Job Completion Report for the grant identified total project costs of \$1,714,116. However, our test of recorded grant transactions identified costs of \$86,144 (\$37,388 from WCB and \$48,756 from DBW) that were incurred prior to the October 1, 2000, effective date of the grant, including some costs that were incurred as early as November 1997. WCB reported total outlays of \$1,447,415 (the amount approved under the grant) on the Financial Status Report (SF 269). As WCB did not specifically identify which costs were included in the \$1,447,415 claimed, we could not determine whether the \$86,144 was included in the claimed amount.

Grant F-112-B-1 In September 2004, WCB made an interim drawdown of \$45,000, based on recorded costs of \$60,000. However, the recorded costs included \$29,806 (from DBW) for engineering and design that were incurred prior to the April 10, 2003, effective date of the grant, including some costs that were incurred as early as November 2002.

Grant F-113-B-1 In September 2004, WCB made an interim drawdown of \$1,027,954 based on recorded costs of \$1,370,605. However, the recorded costs included \$121,115 (\$11,867 claimed by WCB and \$109,248 claimed by DBW) for engineering and design that were incurred prior to the May 12, 2003, effective date of the grant, including some costs that were incurred as early as March 2002.

Appendix 3

CALIFORNIA DEPARTMENT OF FISH AND GAME MOTORBOAT ACCESS GRANTS PROJECT SITES VISITED

Belden's Landing, Solano County

City of Isleton Public Access, Sacramento County

Clarksburg Public Access, Yolo County

Lower Sherman Island Fishing Access, Sacramento County

West Ninth Street Boat Launching Facility, Solano County

**CALIFORNIA DEPARTMENT OF FISH AND GAME
MOTORBOAT ACCESS GRANTS
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
A 1.1, A 1.2, A 2.1, and A 2.2.	Finding Unresolved and Recommendations Not Implemented	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 October 17, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

Report Fraud, Waste, Abuse, and Mismanagement



Fraud, waste, and abuse in government concerns 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 in several ways.



By Mail:

U.S. Department of the Interior
Office of Inspector General
Mail Stop 5341 MIB
1849 C Street, NW
Washington, D.C. 20240

By Phone:

24-Hour Toll Free	800-424-5081
Washington Metro Area	202-208-5300

By Fax:

202-208-6081

By Internet:

www.oig.doi.gov