



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

AUDIT REPORT

**Final Audit Report on the U.S. Fish and
Wildlife Service Federal Assistance
Grants Administered by the
Commonwealth of Puerto Rico,
Department of Natural and
Environmental Resources, from
July 1, 2001, through June 30, 2003**

**Report No. R-GR-FWS-0014-2004
SEPTEMBER 2005**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

September 19, 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 Commonwealth of Puerto Rico, Department of Natural and Environmental Resources, from July 1, 2001, through June 30, 2003 (No. R-GR-FWS-0014-2004)

This report presents the results of our audit of costs incurred and claimed by the Commonwealth of Puerto Rico, Department of Natural and Environmental Resources (Department), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims that totaled approximately \$9.3 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 Department's compliance with applicable laws and regulations and FWS guidelines, including those related to the collection and use of hunting license revenue and the reporting of program income.

We identified unreported program income of \$38,577 and found that the Department may not have adequate assent legislation. We also found that the Department needs to make improvements in its accounting system and license certification, grant administration, and asset management processes.

FWS Region 4 provided a response to the draft of this report dated June 16, 2005, which included a copy of the Department's June 3, 2005 response to FWS. 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 3.

In accordance with the Interior Departmental Manual (361 DM 1), please provide us with your written response to the recommendations included in this report by December 19, 2005. Your response should include information requested in Appendix 3. If you have any questions regarding this report, please contact Mr. Owen Nicholson, Audit Team Leader, or me at (703) 487-5345.

cc: Regional Director, Region 4, 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. However, Puerto Rico is exempt from the matching requirements of the Acts. The Acts 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 of Federal Assistance grants to the Commonwealth of Puerto Rico (Commonwealth) at the request of FWS. We conducted our audit at the Puerto Rico Department of Natural and Environmental Resources (Department) headquarters in San Juan, Puerto Rico. The audit work at the Department included claims that totaled approximately \$9.3 million on FWS grants that were open during the Commonwealth's fiscal years ended June 30, 2002 and 2003 (see Appendix 1). We also visited two natural reserves, three reservoirs, one fish hatchery, one State forest, one wildlife refuge, and one boat access facility (see Appendix 2). The objective of our audit was to evaluate:

- the adequacy of the Department'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 Department's hunting and fishing license fees collection, certification, and disbursement processes;
- the adequacy of the Department's asset management system and related internal controls with regard to purchasing, maintenance, control, and disposal; and
- the adequacy of the Commonwealth'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 Department to the grants, interviews with employees to ensure that personnel costs charged to the grants were supportable, and a review of the Department's use of hunting license revenues to

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

determine whether those revenues were used solely for fish and wildlife program purposes. We did not evaluate the economy, efficiency, or effectiveness of the Department's operations.

Prior Audit Coverage

On August 4, 1999, we issued audit report No. 99-E-728, "U.S. Fish and Wildlife Service Federal Aid Grants to the Commonwealth of Puerto Rico Department of Natural and Environmental Resources, for Fiscal Years Ended June 30, 1995 and 1996."

We reviewed this report and followed up on all significant findings to determine whether they had been resolved prior to our review. Two findings in this report, relating to asset management and accounting system reconciliations, had not been resolved satisfactorily and are addressed in the Results of Audit section of our report.

We also reviewed the significant findings relative to the Federal Assistance grants addressed in the Department's Single Audit report for the fiscal year ended June 30, 2000. This report also had a finding on accounting system reconciliations.

Results of Audit

We identified the following issues regarding the Department's administration of its Federal Assistance program:

- A. Program income of \$38,577 was being applied properly but not reported to FWS.
- B. The Commonwealth's assent legislation may be inadequate.
- C. Department accounting system records were not reconciled with the official Commonwealth records.
- D. The annual license certification process needs improvement.
- E. Grant administration needs improvement.
- F. Project level accounting was not accomplished.
- G. Asset management controls need improvement.

A. Program Income

The Department earned \$75,046 in revenue under grant No. F-42-3, but reported only \$36,469 as program income on the Financial Status Report (SF-269). The income was generated by angler surveys conducted by Department staff under its Federal Assistance program. The surveys were also sent to a contractor that maintained a fisheries database for a federal agency that had a similar program, and the contractor paid the Department for each survey it used in its database.

According to 43 CFR §12.65, program income is gross income received by a grantee directly generated by a grant-supported activity. Program income should be deducted from total grant costs to determine net costs on which the grantor's share will be based or, with FWS approval, added to the project funds to further eligible program objectives or used to meet the cost sharing or matching requirement. In addition, the grant agreement should include an estimate of program income anticipated for the grant period.

The payments received from the contractor did not always include information on the period covered. Because there are several factors that influenced the amount of income earned and when it was received, FWS Region 4 advised the Department to apply program income received after the end of the grant period to the next year's grant or another Sport Fish grant. The Department properly applied program income in accordance with the FWS guidance but did not report income received after the end of the grant period that was not applied to the grant.

As a result, the Department did not report \$38,577 of program income from fishing surveys completed under grant No. F-42-3.

Recommendation

We recommend that FWS resolve the issue on how program income received after the grant period should be reported for future grants.

Department Response

The Department concurred with the finding, provided a detailed explanation of the situation, and stated that it submitted to FWS a revised Financial Status Report for grant No. F-42-3 showing the program income applied, and a plan for how it will use the balance. The Department further stated that in the future, all program income would be reported on the final Financial Status Reports.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While both FWS and the Department concurred with the finding, FWS did not state whether it agreed with the Department's response or whether it had received and approved the revised Financial Status Report. Therefore, additional information is needed concerning the actions taken or planned to resolve the finding and implement the recommendation. This information should be included in the corrective action plan.

B. Assent Legislation

Puerto Rico has passed laws (in Spanish) for the conservation of fish and wildlife; however, it appears that it has not passed legislation assenting to the Restoration Acts.

Both the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act require that before any monies are apportioned to a State under the Acts, the State must pass legislation which assents to the provisions of the Acts, and shall have passed laws for the conservation of fish and wildlife that include a prohibition against the diversion of hunting and fishing license fees paid by hunters and sport fishermen for any purpose other than the administration of the State game and fish agency.

The Department worked with FWS to develop laws for the conservation of fish and wildlife and to require that revenues from the sales of hunting and fishing licenses be used only for fish and wildlife programs. Therefore, Department officials believed that the laws complied with all of the requirements of the Acts.

If the Commonwealth has not passed legislation that assents to the Restoration Acts, it may not be entitled to receive funds apportioned under the Acts.

Recommendations

We recommend that FWS determine whether:

1. The laws passed by the Commonwealth constitute adequate assent legislation.
2. The Department may continue to participate in the Federal Assistance program.

Department Response

The Department did not concur with Recommendation 1 and stated that the Commonwealth has passed two laws that it believes comply with the requirements of the Restoration Acts. The Department provided a detailed explanation of the two laws and their requirements for the conservation of fish and wildlife and the creation of special funds to manage the associated programs. The Department further stated that the Audit Guide “does not establish that the assent of the State with relation to the federal legislation must be expressed.”

FWS Response

FWS stated that it concurred with the finding and recommendations and commented that it will consider the Department’s response by determining whether the language in the Puerto Rican statutes complies with the Restoration Acts.

OIG Comments

Regarding the Department’s comment on the Audit Guide, the purpose of the Guide is to provide guidance on conducting Federal Assistance audits, and it does not have the same authority as laws or regulations. The assent requirement is contained in the Restoration Acts and the Code of Federal Regulations (50 CFR § 80.3). The regulation states, “A State may participate in the benefits of the Act(s) only after it has passed legislation which assents to the provisions of the Act . . .”

While FWS concurred with the finding and recommendation, it stated it would need to review the laws to determine whether they comply with the requirements of the Restoration Acts. Therefore, we consider that finding unresolved and the recommendations not implemented.

C. Accounting System Reconciliation

Our prior audit report identified inadequacies with the Department’s accounting system, including the inability to reconcile the accounting records maintained by the Department’s federal funds accountant with the accounting records maintained by the Puerto Rico Treasury Department (the official accounting records). The report recommended that the Department develop written policies and procedures for the accounting of federal funds by grant consistent

with State accounting. The Department concurred with the recommendation and indicated it would develop written policies and procedures to establish a comprehensive accounting system that could be reconciled with Treasury Department records. However, “The Manual of Procedures for the Registration of Federal Funds Received by the Department of Natural and Environmental Resources” (Manual), which was prepared in response to the recommendation, states:

“As of the date of this Manual (January 2004) a system that will facilitate the integration of the register kept by the Department of Natural and Environment Resources (DNER) with the financial information included in the PRIFAS (Puerto Rico Integrated Financial Accounting System) has not been implemented.

We understand that it is necessary to establish an accounting system for the federal funds in the DNER that will facilitate all the procedures described in this Manual and at the same time will integrate how each financial transaction will be included in a General Ledger that can be reconciled with the financial information presented in the PRIFAS system.”

In addition, the Department’s Single Audit for the year ending June 30, 2000, indicated that the Department’s accounting system did not provide reasonable assurance that the accounting records were complete and included all significant transactions when compared with reports issued by the Treasury Department.

In accordance with 43 CFR § 12.60, “a State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures . . . must be sufficient to:

- Permit preparation of reports required by this part and the statutes authorizing the grant; and
- Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.”

This condition resulted from inadequate management and inconsistent application of the accounting and financial reporting controls and procedures.

Accordingly, the Department did not have assurance that the information reported on its Financial Status Reports was consistent with the actual cost data contained in the official accounting records because the Department’s accounting records used to prepare the reports were not reconciled to the official accounting records. As a result, the Department and FWS did not have assurance that financial data was accurate, complete, and reliable to make informed administrative decisions and to determine compliance with applicable laws, regulations, and grant requirements.

Recommendation

We recommend that FWS require the Department to establish a comprehensive accounting system that can be reconciled with the financial information presented in the PRIFAS.

Department Response

The Department concurred with the finding regarding the need to reconcile financial information. The Department also stated, however, that the lack of reconciliations was due mainly to the lack of adequate staff and not to the lack of an adequate accounting system. The Department added that it has requested funds to contract for an accounting assistant to reconcile the financial information. The Department also stated the current system is providing for the preparation of all required financial reports.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While the FWS concurred with the finding and recommendation, it did not state whether it agreed with the Department's response or identify specific actions that would be taken to address the recommendation. Therefore, additional information is needed concerning the actions taken or planned to resolve the finding and implement the recommendations. This information should be included in the corrective action plan.

D. Hunting License Certifications

The Department completed and submitted annual License Certifications for license years (LYs) 2003 and 2004 for hunting licenses sold. We reviewed these certifications and found minor errors were made in counting and reporting the total licenses sold.

According to 50 CFR § 80.10, the number of persons holding paid licenses to hunt or fish for sport or recreation shall be furnished to the Director of the U.S. Fish and Wildlife Service and shall be certified as accurate by the director of the State fish and wildlife agency.

The Department used a combination of computer-generated data and manual counting procedures to derive the total number of hunters holding paid licenses that was reported in the annual certification. The reporting errors were minor, and resulted from simple addition errors and, in one case, duplicate reporting of one group of licenses. Better controls over the process should eliminate these types of errors.

We were told that the Department has been authorized to sell recreational fishing licenses, and that the potential license sales could far exceed the number of hunting licenses sold. While the current license certification process may be adequate (with improved controls) for the volume of hunting license sales (about 400 a month), the process would be cumbersome for a significantly larger activity. The Department is currently exploring various options related to license sales data gathering and revenue collection. With that in mind, the need for a process to achieve an accurate count of licenses sold, including the elimination of duplicate license holders should be addressed promptly.

Recommendations

We recommend that FWS:

1. Work with the Department to develop appropriate processes and procedures to ensure that the number of fishing and hunting license holders reported in the annual certification is accurate.
2. In the interim, require the Department to establish controls to ensure the accuracy of the number of hunting license holders reported in the annual license certifications.

Department Response

The Department concurred with the finding but stated that due to the small amount of hunting licenses sold (fishing licenses are not currently sold) the errors were not significant. The Department added that it would begin selling fishing licenses later this year and would be implementing a Point of Sales system by June 2006. In the interim, the current system will be evaluated and improved to avoid errors.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While the FWS concurred with the finding and recommendation, it did not state whether it agreed with the Department's response or identify specific actions that would be taken to address the recommendation. Therefore, additional information is needed concerning the actions taken or planned to resolve the finding and implement the recommendations. This information should be included in the corrective action plan.

E. Grant Administration

During the course of our audit, we noted that for 38 of the 47 grants open during the audit period, either the performance periods were extended or extensions to file final Financial Status Reports were approved by FWS. We also observed that 33 of those grants did not expend all grant funds.

In discussions with FWS personnel, we were told that the Department has reverted \$450,000 of funds over several years. FWS was concerned that the Department could revert up to \$750,000 of its sport fish and wildlife apportionments if grant funds were not expended as approved.

The Department and FWS approve each grant agreement based on an identified need, the project objectives, and the expected results or benefits. The project objectives detail what is to be accomplished and specify the funding, staffing resources, and performance period. The FWS Service Manual (522 FW 2) also requires the Department to accomplish planned work within the grant agreement period.

We inquired as to why grant objectives could not be accomplished without time extensions. We were told that there were administrative impediments, including the following:

- A cumbersome requisition process required up to seven approvals for purchases, even though the Accounting Manual we were provided required only four approvals. Our review of 52 purchases found an average of 68 elapsed days between the requisition date and the purchase order issuance, and an average of 74 days elapsed between the purchase order date and receipt of the item ordered.
- Upper management officials did not approve requisitions for grant-related equipment and travel requests for grant-related seminars and conferences. These disapprovals resulted in multiple submissions of requisitions to gain approval, appropriation of equipment from other projects to accomplish grant objectives, and missed opportunities for Department staff to obtain guidance and training needed to accomplish grant-related program objectives effectively.
- The Department did not hire employees critical to accomplishing grant objectives and approved in grant agreements; the lack of staff contributed to the Department's inability to accomplish grant-related work without time extensions.

These conditions could jeopardize accomplishment of Federal Assistance grant objectives and result in the reversion of grant funds.

Recommendation

We recommend that FWS work with the Department to establish procedures that eliminate impediments to accomplishing grant objectives within the grant period.

Department Response

The Department concurred with the finding and stated that the procedure for acquisition of goods and services was being redesigned to require a maximum of five signatures. In addition, after being informed of the situation, the Governor directed all agencies to fill all vacant positions that have federal funds approved.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While the FWS concurred with the finding and recommendation, it did not state whether it agreed with the Department's response or identify specific actions that would be taken to address the recommendation. Therefore, additional information is needed concerning the actions taken or planned to resolve the finding and implement the recommendation. This information should be included in the corrective action plan.

F. Project Level Accounting

Several grants were comprised of projects², each of which had a separate budget. However, the Department did not accumulate the actual costs of these projects for comparing actual costs to the corresponding budgeted amount. Other grants had written approval to accumulate costs at the grant level, so there was no requirement to accumulate costs by project on those grants. The following grants with a Federal share exceeding \$100,000 did not have the approval:

<u>Grant No.</u>	<u>Description</u>	<u>Grant Amount/ Federal Share</u>
F-16-14	Freshwater Fisheries Investigations	\$148,090
F-19-12	Sport Fish Activities - Guanica	142,710
F-19-13	Sport Fish Activities - Guanica	112,237
F-27-12	Evaluation of Boat Anchor Damage	158,894
F-27-13	Evaluation of Boat Anchor Damage	301,852
F-29-11	Sport Fish Activities – Lucchetti	193,761
F-29-12	Sport Fish Activities – Lucchetti	192,355
F-34-11	Sport Fish Activities - Guajataca	171,931
F-35-7	Maricao Fish Hatchery O & M	151,638
F-35-8	Maricao Fish Hatchery O & M	439,952
F-47-1	Sport Fish Activities – La Plata	377,555
FW-1-32	Sport Fish & Wildlife Coordination	266,943
FW-8-10	Sport Fish & Hunting - Boqueron	122,850
FW-8-11	Sport Fish & Hunting - Boqueron	109,794
W-15-12	Monitoring Game Bird Population	135,451
W-21-4	Population Densities Columbids	190,141
W-23-1	Avian Conservation - Karstic	143,132
W-23-3	Avian Conservation - Karstic	133,486
	Totals	<u>\$3,492,772</u>

² Includes projects, studies, and jobs.

While 43 CFR §12.70 generally allows grantees to re-budget within the approved direct cost budget to meet unanticipated requirements, certain types of post-award budget changes require the prior written approval of the awarding agency. For non-construction projects, 43 CFR §12.70 (c) requires grantees to obtain the prior approval of the awarding agency when the following is anticipated: “(ii) Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to exceed ten percent of the current total approved budget, whenever the awarding agency’s share exceeds \$100,000.”

Department officials were aware of the requirement but indicated that accumulating and monitoring grant expenditures at the project level would be too cumbersome because the agreements were complex and usually included several projects. In addition, they indicated that the budgeted amounts were only used when a project was not completed and the corresponding amount was to be deleted from the grant.

Since the actual costs of each project were not accumulated or monitored, there was no assurance that the amount budgeted for a specific project was an accurate representation of the funds necessary to accomplish the work required. In addition, there was no way to verify whether the budgeted amounts were exceeded or whether more than 10 per cent of the total grant amounts were transferred between projects within a particular grant without the prior approval of FWS.

Recommendation

We recommend that FWS notify the Department that it should accumulate and compare actual costs to the amounts budgeted for individual projects within the applicable grant agreements and follow the requirements of 43 CFR §12.70.

Department Response

The Department stated that it did not entirely concur with the finding contending that the grants for which FWS requested accounting at the project level were single projects although separately budgeted by jobs. The Department also stated that its accounting system did not provide for accounting at a level lower than grant level.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While FWS concurred with the finding and recommendation, it did not state whether it agreed with the Department’s response or identify specific actions that would be taken to address the recommendation. Therefore, we consider the finding unresolved and the recommendation not implemented.

G. Asset Management

Using the Department's computerized inventory listing for Federal Assistance personal property,³ which included the property identification number, cost, description, location, and grant project number, we inspected property at seven sites⁴ and the Department headquarters in San Juan. The Property Division, under the Auxiliary Secretary of Management Affairs, maintained the inventory listing. Separate inventory listings were maintained for vehicles, boats, and boat trailers. With the assistance of the staff at each location, we inspected a sample of items to determine whether the items existed, were in useable condition and properly tagged, or whether they were disposed of properly. Based on our inspections, we concluded that the Department's Federal Assistance property inventory listing is inaccurate and incomplete.

The Manual requires that property records must be kept that have the following information:

- description
- serial number or other identification number
- source of funds used to purchase the equipment
- who has title
- date of acquisition
- cost
- percentage of Federal participation in the cost
- location, use, and condition
- data regarding disposal

The Manual also requires a physical inventory be taken once every 2 years, the results of that inventory be reconciled to the Department's inventory records, and a copy of the inventory results and the reconciliation be provided to the Federal agency that provided the acquisition funds.

According to 50 CFR § 80.19, the State must maintain current and complete property records in accordance with requirements contained in the Service Manual and OMB Circular A-102. In addition, the State is responsible for the accountability and control of all assets to assure that they are used for the purpose for which they were acquired throughout their useful life (50 CFR § 80.18).

The inventory records were inaccurate and incomplete because the Department did not update them based on the results of the physical inventories or other records maintained for grant property.

The Department provided an inventory listing for Federal Assistance property that identified 648 items valued at \$371,997. However, we found that the value of 61 of these items was not shown

³ Personal property is defined by the Manual as equipment with a cost of \$100 or more, with a useful life of 2 years or more.

⁴ Humacao Natural Reserve; Guanica State Forest; Lucchetti, La Plata, and Guajataca Reservoirs; Boqueron Wildlife Refuge; and Maricao Fish Hatchery.

on the inventory listing. In addition, we found that the Department inventory did not include all tagged items.

The Federal Assistance Coordinator provided site inventory records that contained 815 items for 8 grant projects. We compared those inventory records to the corresponding Department inventories and found that 529 of the 815 items (with assigned property numbers) were not on the Department inventory, as shown below.

Grant	Site	On Dept Inventory	On Site Inventory	On Dept Inventory Not on Site	On Site Inventory Not on Dept	Items Sampled	Not Tagged	Not Found
FW-10	Humacao	3	30		27	25	5	
F-19	Guanica	12	64		52	38	17	
F-29	Lucchetti	107	148		41	25	3	
F-47	La Plata	12	37		25	20	4	
F-34	Guajataca	90	138	2	50	31	2	
F-8	Boqueron		126		126	22	2	
F-35	Maricao	124		124		39	2	
F-9	HQ – Fish	8	168		160	3		
F-16	HQ – Fish	93		93		23	4	
F-24	HQ – Fish	18		18		18		1
W-15	HQ - Wildlife	56		56		17		
W-21	HQ - Wildlife	62	104	6	48	17	1	3
	Totals	585	815	299	529	278	40	4

As shown above, we selected a sample of 278 items for review using the Department and site inventory listings. Of the items sampled, we could not find 4 items at the location indicated in the Department’s inventory records, 40 items were not tagged, and 2 items had a property identification number different from the number in the Department’s records.

Our review of the site inventories identified at least 174 items listed as damaged or “to be decommissioned.” We inquired as to why these items had not been disposed of and were told that once an item was added to the inventory it was not removed until the item was inspected and the Commonwealth’s Treasury Department concurred with the determination. The Treasury Department charges for these services.

We also found discrepancies with the inventory listings for vehicles, boats, and boat trailers. We found that 23 vehicles listed on site inventories did not appear on the Department’s vehicle inventory listings. In addition, there appeared to be inconsistencies in tagging these items. Our inspections showed that some vehicles were tagged or had the property identification number painted on the vehicle, and others, mostly newer items, did not. In addition, while most items had individual property identification numbers, there were three instances where multiple items shared the same identification number, such as a boat, trailer, and motor at the Humacao Natural Reserve and a tractor, mower, and back hoe at La Plata Reservoir. There was no official explanation why this happened, but the staff assisting us speculated that items sharing the same identification number were probably purchased at the same time.

As a result, we concluded that the Department does not have effective control over its personal property to ensure that assets purchased with Federal Assistance funds are utilized solely for the purpose for which they were acquired.

Recommendation

We recommend that FWS require the Department to conduct a physical inventory of its personal property, including reconciliations of its inventory records with those maintained at the Department's natural reserves and other sites, and update the personal property inventory based on the results.

Department Response

The Department concurred with the finding and agreed that the inventory was not complete and there were inconsistencies in tagging of the equipment. The Department further stated that a new inventory system will be purchased by December 31, 2005, and that a complete inventory is underway and will be completed by September 30, 2005.

FWS Response

FWS stated that it concurred with the finding and recommendation.

OIG Comments

While the FWS concurred with the finding and recommendation, it did not state whether it agreed with the Department's response or identify specific actions that would be taken to address the recommendation. Therefore, additional information is needed concerning the actions taken or planned to resolve the finding and implement the recommendation. This information should be included in the corrective action plan.

**PUERTO RICO DEPARTMENT OF NATURAL AND ENVIRONMENTAL
RESOURCES FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Outlays SFY 02/03
F-9-15	\$257,764	\$172,297
F-9-16	323,407	172,575
F-16-14	148,090	115,440
F-16-15	197,705	183,880
F-19-12	142,710	89,753
F-19-13	112,237	81,154
F-19-14	111,569	68,672
F-24-12	148,939	147,913
F-24-13	167,290	161,021
F-27-12	158,894	151,295
F-27-13	301,852	217,381
F-28-12	23,090	23,090
F-28-13	24,240	24,240
F-29-11	193,761	180,740
F-29-12	192,355	183,992
F-34-11	171,931	111,337
F-34-12	252,618	216,024
F-35-7	151,638	178,324
F-35-8	439,952	445,354
F-36-10	209,405	95,501
F-39-9	28,560	2,771
F-39-10	29,910	20,841
F-42-3	254,248	244,467
F-45-1	1,697,557	1,869,459
F-46-1	55,000	51,560
F-47-1	377,555	56,488
FW-1-32	266,943	211,072
FW-1-33	331,784	310,416
FW-8-10	122,850	72,083
FW-8-11	109,794	123,191
FW-8-12	168,244	184,697
FW-10-6	171,418	158,797
FW-10-7	186,182	254,297
W-13-13	18,420	14,695
W-13-14	18,420	15,575
W-14-12	83,899	79,108
W-14-13	72,894	62,488
W-15-12	135,451	94,137
W-21-4	190,141	136,121
W-21-5	255,974	144,423
W-21-6	336,131	277,459
W-22-3	85,330	85,330
W-22-4	85,330	85,330
W-23-1	143,132	143,132
W-23-2	133,486	133,484
W-23-3	133,486	66,742
W-24-1	102,290	51,919
	<u>\$9,323,876</u>	<u>\$7,970,065</u>

**PUERTO RICO DEPARTMENT OF NATURAL
AND ENVIRONMENTAL RESOURCES
SITES VISITED**

Natural Reserves

Humacao
Tortugero Lagoon

Reservoirs

Guajataca
La Plata
Lucchetti

Other Sites

Boqueron Wildlife Refuge
Catano Boat Ramp
Guanica State Forest
Maricao Fish Hatchery

**COMMONWEALTH OF PUERTO RICO,
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
B.1 and B.2	Finding Unresolved and Recommendations Not Implemented	Provide a corrective action plan that identifies the actions taken or planned to resolve the findings and implement the 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 December 19, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
A, C, D.1, D.2, E, F, and G	Management Concurs; Additional Information Needed	Provide a corrective action plan that identifies the actions taken or planned to resolve the findings and implement the recommendations, as well as the basis for any disagreement with the 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 December 19, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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