



# **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 Mexico,  
Department of Game and Fish,  
from July 1, 2002, through  
June 30, 2004**

**Report No. R-GR-FWS-0001-2005  
SEPTEMBER 2005**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

September 2, 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 Mexico, Department of Game and Fish from July 1, 2002, through June 30, 2004 (No. R-GR-FWS-0001-2005)

This report presents the results of our audit of costs incurred and claimed by the State of New Mexico, Department of Game and Fish (Department), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included total outlays of approximately \$21 million on FWS grants that were open during the State's fiscal years ended June 30, 2003 and 2004 (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 and fishing license revenue and the reporting of program income.

We found that the Department needs to make improvements in its asset management processes. We also identified overcharges for in-kind contributions, which the Department corrected prior to the completion of our audit.

FWS Region 2 provided a response to a draft of this report dated July 25, 2005, which included a copy of the Department's July 21, 2005 response to FWS. FWS concurred with 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 3.

In accordance with the Departmental Manual (361 DM 1), please provide us with your written response to the recommendations included in this report by December 1, 2005. Your response should include the information requested in Appendix 3.

If you have any questions regarding this report, please contact me or Mr. Owen Nicholson, Audit Team Leader, at (703) 487-5345.

cc: Regional Director, Region 2, U.S. Fish and Wildlife Service

---

---

# Introduction

---

---

## Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts) <sup>1</sup> authorize the U.S. Fish and Wildlife Service (FWS) to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. They also specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state's fish and game agencies.

## Objective

The objectives of our audit were to determine whether costs incurred and claimed under Federal Assistance grants to the State of New Mexico Department of Game and Fish (Department) were in accordance with the Acts and related regulations, FWS guidelines, and the grant agreements; whether State hunting and fishing license revenues were used only for fish and wildlife programs; and whether program income was reported and used in accordance with Federal regulations.

## Scope

We conducted our audit at the Department's headquarters in Santa Fe, New Mexico. The audit work included total recorded outlays of approximately \$21 million on 41 FWS grants that were open during the State's fiscal years (SFYs) 2003 and 2004 ended June 30, 2003 and 2004 (see Appendix 1). As part of our audit, we also visited three area offices, two fish hatcheries, a wildlife management area, a waterfowl management area, a lake, a warehouse, and a boat access facility (see Appendix 2). This audit supplements, and does not supplant, the audits required by the Single Audit Act of 1984, as amended and the Office of Management and Budget Circular A-133. The audit included steps to determine whether:

- The Department's accounting system was adequate to account for grant receipts and disbursements.
- The direct and indirect costs incurred and the in-kind contributions claimed by the grantee under Federal Assistance grants were necessary and reasonable, allocable, accurate, and eligible for reimbursement.
- The hunting and fishing license certifications were based on official State of New Mexico

---

<sup>1</sup> As amended 16 U.S.C. § 669 and 16 U.S.C. § 777, respectively

records, and procedures used to prepare those certifications were adequate for eliminating duplicate license holders.

- The Department had an adequate system to account for and report license fee revenues, and those revenues were used only for the Department's fish and wildlife programs.
- Controls over real property and equipment acquired with Federal Assistance funds or license revenues were adequate to ensure compliance with program requirements.
- The Department complied with selected grant agreement provisions and requirements of the Acts.
- The State of New Mexico enacted assent legislation in compliance with the Acts.

## **Methodology**

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 examining the evidence supporting selected expenditures charged to the grants by the Department, interviewing Department employees to ensure that personnel costs charged to the grants were supportable, and determining whether the Department used hunting and fishing license revenues only for fish and wildlife program purposes. To the extent possible, we relied on the work of the State of New Mexico's Single Auditors in order to avoid duplication of audit effort. We did not evaluate the economy, efficiency or effectiveness of the Department's operations.

We reviewed the accounting systems for labor and license fees in order to identify the internal controls over transactions recorded in those systems and to test the operation and reliability of those controls. We also reviewed transactions related to purchases, other direct costs, drawdowns of reimbursements, in-kind contributions, program income, and equipment/assets. Based on the results of our initial assessments, we assigned a level of risk to these systems and based on the level of risk assigned, we selected a judgmental sample of transactions for substantive testing. We did not project the results of the substantive tests to the total population of recorded transactions.

## **Prior Audit Coverage**

On August 1, 2002, we issued advisory report (No. 2002-E-0006), "Final Advisory Report on Costs Claimed by the State of New Mexico, Department of Game and Fish, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1996 to June 30, 1998." In addition, the State Auditor issued single audit reports on the Department for SFYs 2003 and 2004.

We followed up on all significant findings to determine whether they had been resolved. We determined that all findings in the Single Audits and the audit of Federal Aid Grants had been resolved, but the Department's asset management processes still need improvement (see Asset Management).

---

---

## Results of Audit

---

---

We found that:

- The Department's accounting system was generally adequate to account for grant receipts and disbursements.
- The direct and indirect costs claimed were necessary and reasonable, allocable, accurate, and eligible for reimbursement under the Federal Assistance grant agreements with FWS.
- Hunting and fishing license certifications were based on official State of New Mexico records, and procedures used to prepare those certifications were adequate for eliminating duplicate license holders.
- The Department had an adequate system to account for and report license fee revenues and disbursements, and the revenues were used only for the Department's fish and wildlife programs.
- The State had enacted adequate assent legislation.

However, we found that the Department needs to improve its asset management processes. We also identified overcharges for in-kind contributions, which the Department corrected prior to the completion of our audit.

---

### Asset Management

Using the Department's inventory listing generated from the database for fixed assets<sup>2</sup> maintained by the Department's Administrative Services Division, we inspected property at seven sites<sup>3</sup> and the Department headquarters in Santa Fe. With the assistance of the staff at each location, we inspected a sample of computer-related items, vehicles, and equipment. We found that some items could not be located, not all items were tagged, and the inventory listing contained inaccurate and incomplete data. We also compared real property entries in the inventory listing to records maintained by the Wildlife Lands Specialist and found some discrepancies.

According to the Code of Federal Regulations (50 CFR § 80.19), the State must maintain current and complete property records in accordance with requirements in the Service Manual and OMB Circular A-102. In addition, the Department's Fixed Asset Manual requires that each fixed asset be assigned to a specific location and responsibility to a specific person, and be tagged at the time it is acquired with a unique number. Information such as tag number, description of the item, date of purchase, Federal Assistance number, and assignment location is required to be entered in the Department's fixed asset inventory database. Furthermore, a physical inventory of all fixed assets must be performed at the end of each fiscal year, and the inventory results must

---

<sup>2</sup> Fixed assets are defined in the Fixed Assets Manual as real property, buildings, movable chattel (goods or property), or equipment which has a value greater than \$1,000; is expected to be used or held beyond the fiscal year in which it was acquired; is not consumed in or by its use; and is acquired by purchase, trade, donation, lease-purchase agreement, or construction.

<sup>3</sup> Area Offices at Raton, Albuquerque, Las Cruces; Santa Fe warehouse; Lisboa and Red River Hatcheries; and Bernardo Waterfowl Management Area.

be reconciled with the inventory list to assure that fixed assets are adequately safeguarded and accurately reported.

The inventory records were inaccurate and incomplete because they were not updated based on the results of the physical inventories or other records maintained for property acquired with Federal Assistance funds or license revenues.

The Department provided a fixed asset inventory listing containing 2,576 items valued at \$69.4 million including land, capital improvements, computer-related items, vehicles, and equipment. We selected a judgmental sample of 218 items valued at \$1.7 million from a universe of 1,683 computer-related items, vehicles, and equipment valued at \$12.6 million. We inspected the sample items to verify the items existed, were properly tagged, and related data in the inventory listing was accurate (land and capital improvements were excluded from these inspections).

Of the items sampled, we could not find five items valued at \$11,611 at the location indicated in the inventory listing; 55 items valued at \$581,068 were not tagged; and the inventory list had incorrect data for 75 items valued at \$465,190. This incorrect data included items listed on the inventory that had been turned in to the Santa Fe headquarters, items that had been transferred to other locations or individuals, and items that had an incorrect Federal Assistance number.

In addition, we compared land data in the fixed asset inventory listing to land records maintained by the Department's Wildlife Lands Specialist. We found differences in the acquisition cost and dates acquired, and instances where the Federal Assistance number was incorrect or not shown on the inventory listing.

### **Recommendations**

We recommend that FWS ensure that the Department:

1. Accurately updates the data in the fixed asset inventory database for computer-related items, vehicles, and equipment based on the results of a current physical inventory.
2. Reconciles land entries in the fixed asset database with the land records maintained by the Wildlife Lands Specialist.

### **Department Response**

The Department concurred with the finding and recommendations, and established guidelines and procedures for conducting a physical inventory as well as a plan and schedule for implementation.

### **FWS Response**

FWS stated that it concurred with the finding and recommendations, and will consider the corrective actions for Asset Management proposed by the Department during preparation of the corrective action plan.

## OIG Comments

Although FWS concurred with the finding and recommendations, it stated that it will consider the Department's proposed actions during preparation of the corrective action plan. Therefore, additional information is needed on the actions taken or planned to resolve the finding and implement the recommendations. This information should be provided in the corrective action plan.

## **Other Matters – In-Kind Contributions**

We reviewed supporting documentation for the Department's in-kind contributions for the two Aquatic Education grants (F-57-E-14 and 15) and found that some volunteer participant time was not adequately supported or was overstated, and some contribution amounts were miscalculated.

We selected a sample of in-kind contributions for review and found some problems with the volunteer hours claimed and associated calculations, and support for some hours could not be found. As a result, we reviewed support documentation for all in-kind contributions for the two Aquatic Education Program grants and found the same discrepancies. We calculated the supported in-kind contributions as follows:

<u>Grant No.</u>	<u>Per SF-269 In-Kind Contributions</u>	<u>Per Audit In-Kind Contributions</u>
F-57-E-14	\$44,439	\$28,540
F-57-E-15	<u>49,282</u>	<u>39,407</u>
Total	<u>\$93,721</u>	<u>\$67,947</u>

According to the Code of Federal Regulations [43 CFR § 12.64 (b)(6)], records for third party in-kind contributions must be verifiable from the State's records and should be supported, to the extent feasible, by the same methods used to support regular personnel costs.

Volunteer instructor hours claimed and the calculations for in-kind contributions were not adequately reviewed and verified for accuracy, and support for some hours was not properly maintained.

The Department added in-kind contributions for each grant to state outlays to calculate the amount of federal share drawn down. We calculated the difference between the federal share supported by state outlays and in-kind contributions and the total federal share drawn down. The \$19,330 (\$11,924 + \$7,406) difference is the questioned amount of federal share that results from the unsupported in-kind costs for each grant, as shown in the following table:

	F-57-E-14			F-57-E-15		
	Per SF 269	Per OIG	Difference	Per SF 269	Per OIG	Difference
Direct Costs	\$174,196	\$174,196		\$172,990	\$172,990	
Indirect Costs	\$22,696	\$22,696		\$22,827	\$22,827	
In-kind	\$44,439	\$28,540		\$49,282	\$39,407	
Total	<u>\$241,331</u>	<u>\$225,432</u>		<u>\$245,099</u>	<u>\$235,224</u>	
Drawdown (75%)	\$180,999	\$169,075	<u>\$11,924</u>	\$183,824	\$176,418	<u>\$7,406</u>

The Department concurred with our finding and offset the \$19,330 of questioned costs against grant No F-57-E-16 prior to our completing fieldwork. The Department also established procedures to review volunteer instructor hours and calculations for in-kind contributions claimed and properly maintain support for those hours. Therefore, no further action is necessary.

## Appendix 1

### NEW MEXICO DEPARTMENT GAME AND FISH FINANCIAL SUMMARY OF REVIEW COVERAGE July 1, 2002 through June 30, 2004

Grant Number	Grant Amount	Total Outlays
F-55-DL-17	\$447,500	\$269,229
F-55-DL-18	580,000	517,331
F-55-DL-19	151,500	0
F-57-E-14	333,507	241,332
F-57-E-15	319,412	245,099
F-61-O-5	81,520	32,760
F-66-M-1	2,032,000	1,935,244
F-66-M-2	2,540,000	2,787,617
F-67-R-1	105,000	83,196
F-67-R-2	95,000	63,964
F-68-R-1	338,000	334,151
F-68-R-2	370,000	356,759
F-69-R-1	400,000	377,734
F-69-R-2	350,000	385,642
F-70-M-1	535,000	507,412
F-70-M-2	669,000	702,340
F-71-B-1	3,000,000	422,709
FW-14-C-61	181,500	198,355
FW-14-C-62	213,100	41,930
FW-14-C-63	189,000	0
FW-17-R-30	464,000	370,904
FW-17-RD-31	457,200	474,436
FW-24-TG-17	519,136	483,289
FW-24-TG-18	537,852	362,672
FW-26-DL-11	593,852	545,179
FW-26-DL-12	749,677	716,000
FW-32-O-3	100,000	32,490
W-93-R-44	3,373,690	2,839,563
W-93-R-45	2,942,000	2,887,018
W-99-D-43	588,347	456,202
W-99-D-44	619,241	671,454
W-120-S-32	319,007	352,465
W-120-S-33	521,779	485,482
W-137-R-3	49,486	15,385
W-137-R-4	32,561	23,419
W-138-R-1	185,475	139,634
W-138-R-2	185,500	188,747
W-139-R-1	158,000	157,040
W-139-R-2	169,000	172,829
W-140-R-1	102,000	41,650
W-140-R-2	30,000	29,155
	<u>\$25,628,842</u>	<u>\$20,947,817</u>

**NEW MEXCIO DEPARTMENT OF GAME AND FISH  
SITES VISITED**

**Area Offices**

Albuquerque  
Las Cruces  
Raton

**Hatcheries**

Lisboa  
Red River

**Other Sites**

Bernardo Waterfowl Management Area  
Colin Neblett Wildlife Management Area  
Eagle Nest Lake  
Elephant Butte Lake Boat Ramps  
Santa Fe Warehouse

**NEW MEXICO DEPARTMENT OF GAME AND FISH  
STATUS OF AUDIT FINDINGS  
AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
1 and 2	Management Concur; 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 2, 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](http://www.oig.doi.gov)