



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

## **AUDIT REPORT**

**U.S. Fish and Wildlife Service Federal  
Assistance Grants Administered by the  
Commonwealth of Massachusetts, Executive  
Office of Environmental Affairs, Department  
of Fish and Game, Division of Marine  
Fisheries, from January 1, 2003, through  
December 30, 2004**

**Report No. R-GR-FWS-0006-2005  
SEPTEMBER 2005**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

September 8, 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 Massachusetts, Executive Office of Environmental Affairs, Department of Fish and Game, Division of Marine Fisheries, from January 1, 2003, through December 30, 2004 (No. R-GR-FWS-0006-2005)

This report presents the results of our audit of outlays reported by the Commonwealth of Massachusetts, Executive Office of Environmental Affairs, Department of Fish and Game, Division of Marine Fisheries (Division) from January 1, 2003, through December 30, 2004, under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included reported outlays that totaled approximately \$2.1 million on FWS grants that were open during calendar years 2003 and 2004 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines.

We found that the Division was not adequately monitoring a cooperative agreement with a non-profit organization, and as a result, the organization significantly increased its permit fees without obtaining Division and FWS formal approval.

FWS Region 5 provided a response to the draft of this report dated August 10, 2005, which included a copy of the Division's August 2, 2005 response to FWS. FWS concurred with the recommendations and indicated that the Division's proposal to implement the recommendations will be considered in the corrective action plan. We summarized the FWS and the Division's responses after the recommendations, and added our comments regarding the responses. The status of the recommendations is summarized in Appendix 2.

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 7, 2005. Your response should include the information requested in Appendix 2. If you have any questions regarding this report, please contact Mr. Lawrence Kopas, Audit Team Leader, or me at (703) 487-5345.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

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## Introduction

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### Background

The Dingell-Johnson Sport Fish Restoration Act (Act) authorizes the U.S. Fish and Wildlife Service (FWS) to provide Federal Assistance grants to states to enhance their sport fish programs. The Act provides for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants.

### Scope, Objective, and Methodology

We conducted our audit at the Massachusetts Division of Marine Fisheries (Division) headquarters in Boston, Massachusetts. The audit included reported outlays that totaled approximately \$2.1 million on 14 of the 17<sup>1</sup> FWS grants that were open during calendar years 2003 and 2004 (see Appendix). We also visited the Annisquam River Station field office in Gloucester, Massachusetts. The objective of our audit was to determine:

- the adequacy of the Division's accounting systems and related internal controls;
- the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS; and
- the adequacy of the Division's asset management system and related internal controls with regard to purchasing, control, and disposal.

Since the Division does not sell fishing licenses, we did not perform a review of the collection and use of license revenues or the license certification process.

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 and interviews with employees to ensure that personnel costs charged to the grants were supportable. We did not evaluate the economy, efficiency, or effectiveness of the Division's operations.

### Prior Audit Coverage

On July 23, 2001, we issued audit report No. G-GR-FWS-009-98-DC, "Audit of the Commonwealth of Massachusetts Federal Aid Program Grants Active in Fiscal Years 1996 and 1997 Awarded by the U.S. Fish and Wildlife Service, Division of Federal Aid" which

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<sup>1</sup> The Division did not claim any costs on 3 of the 17 grants during the audit period.

transmitted a report prepared by the Defense Contract Audit Agency. We followed up on all significant findings and determined they had been resolved. In addition, the State Auditor issued Single Audit reports on the Commonwealth for the State's fiscal years (SFY) 2003 and 2004. However, the Division was not audited as a major program, and the reports did not include any findings regarding Federal Assistance funds or programs.

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## Results of Audit

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We found that:

- The Division's accounting system was adequate to account for grant disbursements.
- The Division's asset management system and related internal controls with regard to purchasing, control, and disposal of assets was adequate.

However, we also found that the Division was not adequately monitoring a cooperative agreement with a non-profit organization, resulting in the organization significantly increasing its permit fees without Division or FWS approval.

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### A. Public Access Fees

The Division did not approve fee increases for annual permits for off-road vehicle (ORV) access onto Leland Beach by the terms and conditions of a cooperative agreement between FWS, the Division, and the Trustees of Reservations (Trustees) (a non-profit organization). The Division acquired the Leland beach property in 1993 under FWS Grant No. F-59-L-1.

In February 1994, the Division entered into a Cooperative Management Agreement (Agreement) with the Trustees, which permits public access over the Trustees' property onto Leland Beach. The Agreement also provides for the Trustees to manage and protect the endangered species and fragile resources of Leland Beach. Section 2.2 of the Agreement allows the Trustees to charge public access fees to offset its management expenses, as follows:

“Trustees agree that *any* increase in such fees from those charged by Trustees as of the date of this Agreement as applied to the general public desiring access to Leland Beach only a) shall not be assessed without at least 30 days prior public notice, and b) must be approved by DMF (Division of Marine Fisheries) and the United States Fish & Wildlife Service (USF&WS), such approval not to be unreasonably withheld. Trustees agree that such *fees* as applied to such persons will not unreasonably discriminate between residents of Martha's Vineyard *and* persons who reside elsewhere. If DMF and the USF&WS neither approve nor disapprove the proposed fees within 30 days, the proposed fees will be deemed approved and Trustees may assess such fees as if approval had been granted.”  
[Emphasis added]

The Division did not adequately monitor the Agreement to ensure that the Trustees submitted proposed fee increases for FWS and Division review and approval or that it acted on any proposals received from the Trustees. The Division's Federal Assistance Coordinator and FWS Region 5 officials told us that they have not been notified of any planned fee increases since the Agreement was signed in February 1994, and are concerned that the fees may discriminate between local residents and the general public.

We obtained and compared the latest fee increases as posted on the Trustees Web site on April 7, 2005, to the fee schedule from 1993, which was in effect prior to and incorporated into the February 1994 agreement. The differences in fees are based on two factors: Trustee membership and Martha's Vineyard island residency. Overall, as shown in the following table, the fees for ORV<sup>2</sup> and the percentage increases were lower for members than non-members. We noted that the fees have increased by 100 percent (i.e., doubled) for non-members but have increased at lesser rates for Trustees members. Regarding residency, the percentage increases were the same (100 percent) for residents and non-residents who were non-members, but were higher for non-resident members (63 percent) than resident members (33 percent). We believe that the fee structure should consider, in part, the amount of annual use by individual permittees, which impact amount of visits, rather than membership or residency. The following table shows the fee increases since 1993:

	<u>1993 Fee Schedule</u>	<u>2005</u>	<u>Percentage Increase</u>	<u>Dollar Increase</u>
Trustees Member				
Island Resident	\$60	\$80	33	\$20
Non-Resident	\$80	\$130	63	\$50
Non-Member				
Island Resident	\$75	\$150	100	\$75
Non-Resident	\$100	\$200	100	\$100

Since the Trustees did not comply with terms of the Agreement when it increased its fees, we believe that the Division should require the Trustees to provide information on the basis for each increase. Both the Division and FWS should review the information to ensure that the increases were appropriate.

### **Recommendations**

We recommend that FWS:

1. Ensure the Division adopts procedures to ensure compliance with the requirements in the Agreement that the Trustees submit all proposed fee increases to the Division for review and approval by FWS and the Division.
2. Determine whether existing fees are reasonable and do not discriminate unreasonably between residents and non-residents of Martha's Vineyard, and require the Trustees to make any adjustments, if necessary.

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<sup>2</sup> The Trustees April 7, 2005 web site refers to ORVs as over sand vehicles.

### **Division Response**

The Division agreed with the recommendations, but said that it has now determined that the Trustees had notified the Division of the proposed fee increases prior to implementation. The Division further said that there is no record that the Division ever notified FWS of the proposed fee increases. The Trustees will submit proper notification to the Division and the FWS on fee increases and request both the Division and FWS agreement on all future adjustments to the fees.

### **FWS Response**

FWS stated that it concurred with the recommendations and that the Division's proposals to implement them would be considered in the corrective action plan.

### **OIG Comments**

FWS concurred with the recommendations, and stated that "The State's proposal to implement the recommendations will be considered in the corrective action plan." Therefore, additional information is needed concerning the resolution of the finding and implementation of the recommendations.



## Appendix 1

**MASSACHUSETTS DEPARTMENT OF FISH AND GAME  
DIVISION OF MARINE FISHERIES  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JANUARY 1, 2003, THROUGH DECEMBER 31, 2004**

<u>Grant No.</u>	<u>Amount</u>	Reported <u>Outlays</u>
F-48-R-17	\$100,500	\$71,712
F-48-R-18	116,000	58,814
F-49-T-17	330,000	457,285
F-49-T-18	330,000	375,807
F-56-R-13	310,000	254,854
F-56-R-14	310,000	236,037
F-57-R-12	209,500	168,904
F-57-R-13	200,000	171,244
F-63-R-6	10,000	4,216
F-63-R-7	10,000	7,739
F-63-R-8	10,000	0
F-64-C-6	133,000	47,237
F-64-C-7	121,500	67,552
F-64-C-8	120,000	0
F-66-O-6	97,500	62,763
F-66-O-7	97,500	76,912
F-116-D-1	<u>365,000</u>	<u>0</u>
	<u>\$2,870,500</u>	<u>\$2,061,076</u>

**MASSACHUSETTS DEPARTMENT OF FISH AND GAME  
DIVISION OF MARINE FISHERIES  
STATUS OF AUDIT FINDINGS  
AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
A.1 and A.2	Management Concur; Additional Information Needed	Provide a corrective action plan that identifies the actions taken or planned to resolve the finding 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 7, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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## ***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:***

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Washington Metro Area	202-208-5300

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