



# **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 Montana,  
Department of Fish, Wildlife and Parks,  
from July 1, 2001, through June 30, 2003**

**Report No. R-GR-FWS-0007-2004  
November 2005**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

November 21, 2005

## AUDIT REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: 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 Montana, Department of Fish, Wildlife and Parks, from July 1, 2001, through June 30, 2003 (No. R-GR-FWS-0007-2004)

This report presents the results of our audit of costs claimed by the State of Montana, Department of Fish, Wildlife and Parks (Department), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims that totaled approximately \$42 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1). We also reviewed the Department's compliance with certain regulatory and other requirements, including those related to the collection and use of state hunting and fishing license revenues and the reporting of program income.

We found that the Department's personal property and fixed assets inventory listings were not accurate and/or complete. We also found the Department's drawdown procedures need to be revised.

FWS Region 6 provided a response to a draft of this report on October 25, 2005, which included a copy of the Department's October 19, 2005 response to FWS. FWS and the Department concurred with the 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 Department Manual (361 DM 1), please provide us with your written response to the recommendations included in this report by February 20, 2006. Your response should include information on actions taken or planned, including target dates and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact Mr. Chris Krasowski, Federal Assistance Audit Coordinator, or me at (703) 487-5345.

cc: Regional Director, Region 6, U.S. Fish and Wildlife Service

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## Introduction

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### Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> authorize 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 department.

### Objective, Scope, and Methodology

The objective of our audit was to determine whether the costs incurred and claimed under Federal Assistance grants to the Department were in accordance with the Acts and related regulations, FWS guidelines, and the grant agreements; state hunting and fishing license revenues were used solely for fish and wildlife program activities; and program income was reported and used following federal regulations.

The audit work at the Department included claims that totaled approximately \$42 million on FWS grants that were open during the State's fiscal years (SFY) ended June 30, 2002 and 2003 (see Appendix 1). We performed our audit at the Department headquarters in Helena, Montana. We also visited two regional offices, one area resource office, one fish hatchery, two wildlife management areas, and eight fishing access areas (see Appendix 2). 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 Department under Federal Assistance grants were necessary and reasonable, allocable, accurate, and eligible for reimbursement.
- The Department's hunting and fishing license certifications were based on official State 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.

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

- 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 enacted assent legislation in compliance with the Acts.

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 fishing and hunting license revenues to determine whether the revenues had been 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 June 11, 1999, we issued audit report No. 99-E-559, "U.S. Fish and Wildlife Service Federal Aid Grants to the State of Montana Department of Fish, Wildlife and Parks for the Fiscal Years ended June 30, 1995 and 1996." In addition, the State Legislative Audit Division issued financial and compliance audit reports on the Department's financial schedules for SFYs 2002 and 2003. We followed up on all significant findings and determined that they had been resolved prior to our review.

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## Results of Audit

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The Department was generally in compliance with applicable regulatory and grant accounting requirements with respect to the following:

- Except for the issues discussed in finding B, the Department's accounting system and related internal controls appear adequate to account for grant and license fee receipts and disbursements.
- Direct and indirect costs claimed under the Federal Assistance grant agreements with FWS were adequately recorded, supported, and eligible for reimbursement.
- The State of Montana 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 the following issues:

- A. The Department's personal property and fixed assets inventories contained inaccurate and/or incomplete data.
  - B. The Department's drawdown procedures need to be revised.
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### **A. Property Inventories**

According to the Code of Federal Regulations (50 CFR § 80.18(c)), the states are responsible for "The accountability and control of all assets [funded under the Acts] to assure that they serve the purpose for which acquired throughout their useful life." In addition, 50 CFR § 80.4 states that property purchased with license revenues must be used only for the administration of the State's fish and wildlife agency. We found that State and Department procedures and controls for managing real and personal property were not always followed. As a result, inventory listings contained inaccurate and/or incomplete data and some items could not be located.

#### **1. Personal Property**

The regulations (43 CFR §12.72 (b)) require the states to use, manage, and dispose of equipment acquired with grant funds in accordance with state laws and procedures. We found that the Department did not always follow State or Department procedures, and additional controls are needed.

The Department's personal property inventory listing as of August 2004 contained 4,376 items valued at \$29.7 million that were purchased with Federal Assistance funds and/or hunting and fishing license revenues. We tested a sample of 162 items valued at \$513,238 that were on the inventory listing for 6 of the Department's 140 locations. We found that:

- 5 items valued at \$3,798 were not found, and the responsible officials did not know where the items were located.
- 38 items valued at \$83,597 were not at the locations shown on the inventory listing. Responsible officials said these items were off-site (e.g., were being used in the field at the time of our visit or had been loaned or transferred to another location). The responsible official did not submit transfer forms to the Property Section to update the inventory listing, in accordance with guidance in the Department's Asset Management Desk Manual (Desk Manual), or use hand receipts or sign out/sign in logs to establish accountability for these items (the Desk Manual did not address the use of sign out/sign in logs or hand receipts).
- 15 items with an estimated value of \$38,863 that we found at the sites visited were not on the inventory list. The responsible individuals had not prepared the transfer forms and/or had not submitted the necessary forms for updating the inventory when new or transferred items were received, in accordance with the guidance in the Desk Manual.
- 13 items valued at \$37,443 did not have a State identification tag attached. Although inventory tags had been assigned to these items when they were put into service, the tags were not permanently attached to the equipment, as required by the Desk Manual.
- 5 items valued at \$28,278 were not needed and should have been transferred, sold, or discarded. The responsible officials had not returned the items to the Department's Property Section along with a transfer or surplus form in accordance with the guidance in the Desk Manual.

Our interviews with the field managers at the sites indicated that some managers did not appear to have a clear understanding of inventory controls and procedures. We believe that the lack of a clear description in the Desk Manual of the role of field managers in the property management process contributed to this condition.

## **2. Fixed Assets**

The Department's fixed assets inventory did not include the assets related to two completed construction projects (Cooney State Park Capital Improvements and Brewery Flats Fishing Access Site). According to the Montana Operations Manual, upon completion of a construction project, the asset should be recorded in the proper fixed asset cost account when the Project Completion Report has been received or when the facility has been occupied, whichever comes first. According to Department officials, these construction projects had not been added to the inventory because the project completion reports did not contain all required information such as the items to be capitalized and their cost.

Complete and accurate inventory records are essential for effectively managing property. The lack of adequate inventory records hinders the Department's ability to ensure that its property is properly safeguarded and accounted for, that assets purchased with Federal Assistance funds are used for the purpose for which they were acquired, and that assets acquired with license funds are used only for the Department's fish and wildlife programs.

### **Recommendations**

We recommend that FWS require the Department to:

1. Review and take appropriate corrective action on the personal property exceptions.
2. Revise the Asset Management Desk Manual to (a) include clear descriptions of the roles and responsibilities of field managers and all other employees involved in property management and (b) require the use of sign in/sign out logs or hand receipts for property that is loaned or otherwise temporarily removed from the assigned locations.
3. Develop procedures and provide training on property management to all employees who are responsible for property management and maintaining property inventories.
4. Develop procedures to ensure that fixed assets related to construction projects are added to the fixed asset inventory when the project is complete or the facility is occupied. The fixed assets related to the two construction project identified in our review should be added to the inventory.

### **FWS Response**

FWS stated that it concurred with the findings and recommendations and that actions described in the Department's draft response would be incorporated into the corrective action plan.

### **Department Response**

The Department concurred with all four recommendations and indicated that the property section is (1) following up on all personal property exceptions, (2) revising their Asset Management Desk Manual to provide clear descriptions of the roles and responsibilities of parties involved in property management, (3) providing training on property management, and (4) establishing procedures to identify construction projects that are completed and add them on the fixed asset inventory. However, the response did not specifically address recommendation 2(b) regarding the use of sign in/sign out logs.



## **OIG Comments**

While FWS and the Department concurred with the findings and recommendations, additional information is needed concerning the actions taken or planned to implement the recommendations. This information should be included in the corrective action plan.

### **B. Drawdown Procedures**

In June 1999, the State of Montana entered into an agreement with the United States Treasury (Agreement) pursuant to the Cash Management Improvement Act of 1990, as amended.<sup>2</sup> The Agreement sets forth the funding techniques to be used by Montana for its major Federal Assistance programs. The Agreement's provisions<sup>3</sup> were limited to the major federal programs identified in the Agreement, which included the Sport Fish and Wildlife Restoration programs. We found that the Department did not fully comply with the provisions in the Agreement.

The Department used the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) to account for grant costs. For accounting purposes, the Department grouped the Wildlife Restoration, Sport Fish Restoration, and Threatened and Endangered Species program grants into a single fund. Because SABHRS does not provide cost information at the grant level, the Department maintained spreadsheets to determine the appropriate amount to be drawn down for each grant.

The Department performed three types of drawdowns: daily<sup>4</sup>, monthly, and end-of-grant. The amount and timing of the daily drawdown was based on the federal share of unreimbursed cash transactions recorded in the fund. The Department did not charge each individual grant for its share of costs at the time of the daily drawdowns. Instead, the entire drawdown amount was alternately charged to one of two grants, W-154-R or F-113-R, the largest grants under the Wildlife Restoration and Sport Fish Restoration programs.

At the end of each month, the Department extracted expenditure and revenue data from SABHRS and computed the unreimbursed expenditures (including indirect costs) for each grant. Using this data, the Department then made an "adjustment drawdown," reducing the charges to the two grants and adjusting the charges for all grants to their actual costs. Consequently, the daily drawdowns resulted in the Department's reimbursement for costs associated with all grants under the three programs but charged to only two grants until the month-end adjustment. According to Department officials, this method was used because the time and expense of computing each grant's share at the time of each daily drawdown would be prohibitive.

We concluded that the Department's drawdown procedures did not comply with the Agreement in two respects. Paragraph 6.3 of the Agreement identifies the funding techniques for each of the programs regarding the timing of drawdowns for different cost categories (e.g., payroll, vendor

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<sup>2</sup> The primary goal of the Cash Management Improvement Act is to improve the efficiency and effectiveness of funds transfers between the federal government and the states.

<sup>3</sup> Several provisions address the amount and timing of federal reimbursement for different types of payments made by the State (e.g., personnel, administrative costs, and other payments).

<sup>4</sup> The Department usually performed daily drawdowns every second or third business day.

payments). Because the Agreement specified different funding techniques for different programs, it appears that the Agreement required the Department to charge the amounts drawn down to the respective federal programs that incurred the costs.

Also, since the Threatened and Endangered Species Program was not included in the Agreement and, as such, no funding techniques were established for this program, it was not appropriate to include it in the Department's drawdowns for the Sport Fish and Wildlife Restoration programs.

### **Recommendations:**

We recommend that FWS:

1. Ensure that the Department modifies SABHRS to provide summary information on the total unreimbursed costs for each Restoration program, and charge the programs only for their respective shares of each daily drawdown.
2. Ensure that the Department discontinues including the Threatened and Endangered Species program in its drawdown computations for the Restoration programs.

### **FWS Response**

FWS stated that it concurred with the finding and recommendations and that actions described in the Department's draft response would be incorporated into the corrective action plan.

### **Department Response**

The Department concurred with the recommendations and indicated that it revised procedures and modified reports from SABHRS starting July 1, 2005, to separate draw down requests between Sport Fish and Wildlife Restoration programs, and discontinue including Threatened and Endangered Species program draw down requests from the Restoration programs.

### **OIG Comments**

While FWS and the Department concurred with the findings and recommendations, additional information is needed concerning the actions taken or planned to implement the recommendations. This information should be provided in the corrective action plan.

## Appendix 1

### MONTANA DEPARTMENT OF FISH, WILDLIFE AND PARKS FINANCIAL SUMMARY OF REVIEW COVERAGE JULY 1, 2001 THROUGH JUNE 30, 2003

<u>Grant No.</u>	<u>Grant Amount</u>	<u>Claimed Costs</u>
F-22-L-20	\$ 0	\$ 0
F-51-D-13	2,019,374	1,985,959
F-51-D-14	2,117,355	2,085,697
F-61-E-13	507,552	507,150
F-61-E-14	502,091	502,091
F-63-B-4	240,000	240,000
F-66-B-2	375,000	318,029
F-68-B-5	10,708	10,708
F-68-B-6	11,635	11,635
F-68-B-7	11,434	0
F-75-B-5	40,000	40,000
F-82-D-2	3,727,190	3,705,456
F-85-R-8	20,000	20,000
F-89-R-8	9,454	8,419
F-89-R-9	9,290	9,290
F-95-B-6	230,034	206,472
F-95-B-7	239,933	211,914
F-98-D-1	337,500	327,820
F-106-B-2	165,475	105,077
F-107-D-2	55,000	49,891
F-109-D-1	89,500	74,213
F-110-B-1	35,880	35,880
F-111-D-1	83,050	83,050
F-112-B-1	600,000	598,562
F-113-R-2	3,983,768	3,822,189
F-113-R-3	3,989,238	3,940,930
F-114-B-1	851,732	824,841
F-114-B-2	69,325	0
F-115-B-1	200,000	24,656
F-116-B-1	247,136	247,136
F-117-D-1	100,000	54,897
FW-8-R-1	1,842,988	1,842,988
FW-8-R-2	4,166,830	5,430,383
W-133-E-31	479,231	478,615
W-133-E-32	100,000	100,000
W-133-E-33	395,650	394,600
W-154-R-2	6,846,701	6,769,742
W-154-R-3	<u>6,903,798</u>	<u>6,898,916</u>
	<u>\$41,613,850</u>	<u>\$41,967,206</u>

**MONTANA DEPARTMENT OF FISH, WILDLIFE AND PARKS  
SITES VISITED**

**Regions/Area Resource Offices**

Region 3, Bozeman, MT

Region 4, Great Falls, MT

Area Resource Office, Lewistown, MT

**Fish Hatchery**

Big Springs Trout Hatchery, Lewistown, MT

**Wildlife Management Areas**

Bear Creek Wildlife Management Area

Beartooth Wildlife Management Area

**Fishing Access Areas**

Big Bend Fishing Access Site

Brewery Flats Fishing Access Site

Carter Ferry Fishing Access Site

Dunes Fishing Access Site

Ennis Lake Fishing Access Site

Harrison Lake Fishing Access Site

Ulm Bridge Fishing Access Site

York Bridge Fishing Access Site

**MONTANA DEPARTMENT OF FISH, WILDLIFE AND PARKS  
STATUS OF AUDIT FINDINGS  
AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
A.1, A.2, A.3, A.4, B.1, and B.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. Any recommendations that are not implemented at the end of 90 days (after February 20, 2006) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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