



**Department of the Interior
Office of Inspector General**

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Grants Administered
by the District of Columbia, Department of Health,
From October 1, 2002, Through September 30, 2004**

Report No. R-GR-FWS-0020-0005 November 2006



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

November 15, 2006

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Christina M. Bruner *Christina M. Bruner*
Director of External Audits

Subject: Audit on the U.S. Fish and Wildlife Service Federal Assistance Grants
Administered by the District of Columbia, Department of Health, From
October 1, 2002, Through September 30, 2004 (No. R-GR-FWS-0020-2005)

This audit report presents the results of our audit of costs incurred by the District of Columbia (District), Department of Health (Department), Fisheries and Wildlife Division (Division). The Division incurred the costs under the U.S. Fish and Wildlife Service (FWS) Federal Assistance grants. The audit included total reported outlays of approximately \$3.6 million on FWS grants that were open during fiscal years (FYs) 2003 and 2004 (see appendix 1). The audit also evaluated Department compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements for administering its Federal Assistance grants. We questioned costs totaling \$49,391 that were unallowable. They pertained to labor (\$30,958), in-kind contributions (\$4,663), and other direct costs (\$13,771). We identified unsupported costs totaling \$1,290,047. They pertained to labor (\$1,225,099), in-kind contributions (\$60,341), and other direct costs (\$4,607). We also identified issues regarding Department annual license certifications, District assent legislation, control of personal property, and indirect cost rates.

We provided a draft of the report to FWS and the Department for response. The Department and FWS elected not to respond to the draft report, but FWS indicated they will work with the Department to address any reported issues in the corrective action plan. Since FWS did not comment on the findings and recommendations, we consider them unresolved and unimplemented. We list the status of the recommendations in appendix 2.

Please respond in writing to the findings and recommendations in this report by February 19, 2007. Your response should include information on actions taken or planned, target dates, and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact me at 703-487-5345.

cc: Regional Director, Region 5, 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 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 fishing license revenues cannot be used for any purpose other than the administration of state fish and wildlife agencies. The District sells only fishing licenses. Therefore, only the Dingell-Johnson Sport Fish Restoration Act (Act) applies.

Objectives

The objectives of our audit were to determine whether the Department:

- incurred the costs claimed under Federal Assistance grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used state fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with federal regulations.

Scope

The audit work included total reported outlays of approximately \$3.6 million on nine FWS grants that were open during FYs 2003 and 2004 (see appendix 1). We performed our audit at Department headquarters in Washington, D.C. We also visited the Aquatic Education Center and boat ramps at Anacostia Park and Columbia Island Marina. We performed this audit to supplement, not replace, the audits required by the Single Audit Act of 1984, as amended, and the Office of Management and Budget Circular A-133.

Methodology

We performed our audit in accordance with the “Government Auditing Standards” issued by the Comptroller General of the United States. We tested records and conducted other auditing procedures as necessary under the circumstances. We examined the evidence supporting selected expenditures charged to the grants by the Department, interviewed Department employees to ensure that personnel costs charged to the grants were supportable, and determined whether the Department used fishing license revenues solely for sport fish and wildlife program purposes. To the extent possible, we relied on the work of the District Single Auditor to avoid

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

duplication of audit effort. We did not evaluate the economy, efficiency, or effectiveness of Department operations.

We selected a judgmental sample of transactions for substantive testing based on an initial assessment of risk. We reviewed transactions and supporting documentation related to purchases, other direct costs, drawdowns of reimbursements, in-kind contributions, program income, equipment, and other property. We did not project the results of substantive tests to the total population of recorded transactions. We also reviewed the financial management systems for labor and license fees to identify the relevant internal controls over transactions recorded in those systems and to test the operation and reliability of those controls.

Prior Audit Coverage

On April 8, 2003, we issued an audit report, “Final Advisory Report on Costs Claimed by the District of Columbia, Environmental Health Administration, Fisheries and Wildlife Division, under Federal Aid grants from the U.S. Fish and Wildlife Service from October 1, 1996 to September 30, 1998.” We followed up on all findings and recommendations and determined they have been resolved and implemented.

We also reviewed District Comprehensive Annual Financial Reports for FYs 2003 and 2004 and Single Audit reports for FYs 2002 and 2003. The Sport Fish Restoration Program had not been selected for testing in any of these audits. These reports did not contain any findings that would directly affect the Department Federal Assistance grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts and regulations and that FWS used fishing license revenues solely for Department fish and wildlife program activities.

However, we questioned costs and identified other issues as listed below.

Questioned and Unsupported Costs. The Department charged labor hours to six grants based on estimates rather than actual hours worked and overstated in-kind contributions. In addition, in-kind volunteer hours and other direct costs were not adequately supported.

Duplicate License Holders Not Removed. The Department did not eliminate duplicate license holders from its annual license certifications.

Assent Legislation Not Passed as Required by the Acts. The District has not passed permanent assent legislation that prohibits the use of license revenues for ineligible activities.

Inadequate Controls Over Personal Property. The District Fixed Asset System (FAS) inventory listing was incomplete and not all Division personal property items were tagged.

Compliance With 3 Percent Limitation Not Ensured. The Department had not adopted procedures to ensure the Department limits allocations for state central services to 3 percent of the state's annual Federal Assistance apportionments.

Findings and Recommendations

A. Questioned and Unsupported Costs

1. Labor Costs

Labor charges to Federal Assistance grants, charged directly and as state match, were based on budgeted rather than actual hours worked.

The Code of Federal Regulations (2 C.F.R. § 225, appendix A, section E.2.a) states that typical direct costs chargeable to federal awards include compensation of employees for the time devoted to and identified specifically for the performance of those awards. Appendix B, section 8.h(4), requires that when employees work on multiple activities or cost objectives, a distribution of their wages be supported by personnel activity reports or equivalent documentation.

The documentation must reflect the distribution of each employee's actual activity. Budget estimates or other distribution percentages determined before employees perform the services do not qualify as support for charges to federal awards.

Division managers were not required to track their work on multiple grants through personnel activity reports. Instead, labor costs for employees working on multiple grants were charged to the Federal Assistance grants based on budget estimates developed by the program manager. Additionally, some labor was charged for a manager who did not work on the grants. As a result, we questioned labor costs charged to FWS grants totaling \$30,958 for unallowable manager charges and \$1,225,099 of unsupported costs for personnel and managers who worked on multiple grants, as follows:

Grant Number	Questioned Costs	Unsupported Costs
F-1-C-18	\$15,479	\$124,736
F-1-C-19	\$0	\$123,384
F-2-R-18	\$10,319	\$231,095
F-2-R-19	\$0	\$316,860
F-4-E-17	\$5,160	\$244,941
F-4-E-18	\$0	\$184,083
Totals	\$30,958	\$1,225,099

Because the Division charged 100 percent of their labor costs to the grants, we are questioning and making recommendations to resolve the entire amounts.

Recommendations

We recommend that FWS require the Department to:

1. resolve the questioned costs of \$30,958 that were not allowable;
2. resolve the \$1,225,099 of unsupported personnel costs that were charged to more than one grant; and
3. charge labor costs to Federal Assistance grants for all employees based on signed personnel activity reports that reflect actual hours worked.

2. In-Kind Contributions

The District's matching share of Federal Assistance grants was composed of in-kind contributions and additional outlays. However, volunteer participant time for the Division's in-kind contributions for the two Aquatic Education grants (F-4-E-17 and F-4-E-18) was not adequately documented. The Division did not require volunteers to record actual hours or require supervisory confirmation of

claimed hours, and some volunteers recorded estimated or projected hours. In addition, some transportation costs claimed as in-kind contributions were not third-party and contributions were overstated.

According to 43 C.F.R. § 12.64 (b)(6), records for third party in-kind contributions must be verifiable from state records and should be supported, to the extent feasible, by the same methods used to support regular personnel costs. In addition, FWS Region 5 provided guidance to the Division by specifying how it should document in-kind contributions.

The Division did not follow FWS guidance or applicable regulations. Therefore, for costs claimed as matching share, we questioned \$7,117 claimed in overstated amounts and transportation costs on grant F-4-E-18, and determined that \$66,600 claimed for volunteer time on grant F-4-E-17 and \$22,883 claimed for volunteer time on grant F-4-E-18 lacked adequate support. As a result, we questioned \$4,663 of federal share for contributions claimed for grant F-4-E-18 and determined that \$60,341 of federal share costs were unsupported in-kind contributions for grants F-4-E-17 (\$45,349) and F-4-E-18 (\$14,992).

Recommendations

We recommend that FWS require the Department to:

1. resolve the \$4,663 of federal share costs that we questioned due to overstated in-kind contributions claimed for grant F-4-E-18;
2. resolve the \$60,341 of federal share costs that were unsupported in-kind contributions for grants F-4-E-17 (\$45,349) and F-4-E-18 (\$14,992); and
3. implement procedures to ensure that volunteer hours and transportation costs used as in-kind contributions are adequately documented and reported.

3. Other Direct Costs

The Division failed to maintain adequate support documentation for some grant expenditures and charged some costs to the wrong grant.

According to 43 C.F.R. § 12.60(b)(2), grantees must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. This requirement pertains to records that contain information on grant awards, outlays or expenditures, and income. In addition, costs must be adequately documented to be allowable under federal awards (2 C.F.R. § 225, appendix A, section C.1.j). According to 50 C.F.R. § 80.15, for costs to be allowable, they must be necessary and reasonable for the accomplishment of approved project purposes.

Of the 47 transactions reviewed, we found that 10 expenditures, totaling \$13,771, were charged to the wrong grant and 7 expenditures, totaling \$4,607, lacked adequate support documentation. See the chart below for questioned and unsupported costs applied to the grants. These expenditures represent the federal portion.

Grant Number	Questioned Costs	Unsupported Costs
F-1-C-18	\$716	\$62
F-1-C-19	\$10,444	\$1,312
F-2-R-19	\$110	\$0
F-4-E-17	\$2,500	\$0
F-4-E-18	\$0	\$3,233
Totals	\$13,771	\$4,607

Recommendations

We recommend that FWS require the Department to:

1. resolve the \$13,771 of questioned costs and \$4,607 of unsupported costs;
2. maintain proper documentation for all costs charged to Federal Assistance grants; and
3. revise its procedures to ensure that grant costs are charged to the appropriate grants.

B. Duplicate License Holders Not Removed

The Department did not eliminate duplicate license holders in the annual license certifications submitted to FWS for FYs 2003 and 2004. The individual who completed the license certifications was unaware of the requirement. As a result, the number of licenses certified by the Department for those years may be inaccurate.

FWS uses the license certifications to determine, in part, the annual apportionment of Federal Assistance funds for each state. Title 50 C.F.R. § 80.10 specifies the requirements for annual license certifications. Sections (a) and (b) require states to report the number of hunting and fishing license holders annually to FWS and to certify the accuracy of their counts. Section (c)(5) prohibits including an individual more than once as a hunting or fishing license holder in annual certification counts. The state is responsible for certifying that it eliminated duplications. Accurate license certifications are necessary to properly compute each state's apportionment according to a prescribed formula.

Recommendation

We recommend that FWS ensure that the Department develop and implement procedures for identifying and eliminating duplicate license holders from its annual license certification.

C. Inadequate Assent Legislation

The Sport Fish Restoration Act requires that—before any monies are apportioned to a state—the state assent to the provisions of the Act. In addition, the state must pass laws that include a prohibition against the use of license fees paid by sport fishermen for any purpose other than the administration of the state fish and wildlife agency (50 C.F.R. § 80.3).

According to the Corrective Action Plan for the previous audit, “the District submitted a request in January 2003 to amend D.C. Law 5-188 to include legislation prohibiting the diversion of fishing licenses revenue to purposes other than the administration of the District's fish and wildlife agency.” However, the District has not passed permanent assent legislation, and this prohibition expired in November 2005. Because the District has not assented to the Sport Fish Restoration Act and has not prohibited the use of license revenues for anything other than the administration of its fish and wildlife agency, it may not be entitled to receive funds apportioned under the Act.

Recommendations

We recommend that FWS:

1. require the District of Columbia to assent to the Sport Fish Restoration Act and to amend its laws to conform to Act requirements on the use of fishing license revenues and
2. determine whether the Department may continue to participate in the Federal Assistance program, if the District does not pass assent legislation.

D. Inadequate Controls Over Personal Property

With the assistance of Division staff at each location, we inspected a sample of vehicles, equipment, and computer-related items. We found that not all items were tagged and the District's FAS inventory listing was incomplete.

Title 43 C.F.R. § 12.72(b) requires a state to use, manage, and dispose of equipment that it acquired under a grant in accordance with state laws and procedures. The District of Columbia Financial Policies and Procedures Manual requires capitalized (greater than \$5,000) and noncapitalized (\$1,000-\$4,999) fixed assets be recorded in FAS. Agencies must also record and maintain a supplementary listing on the agency FAS for items

valued between \$1,000 and \$5,000. In addition, a physical inventory of fixed assets must be performed annually to ensure adequate care is used in the control and accountability of those assets.

The Division is not following District policies and procedures for recording and tracking property. Although Division personnel have prepared inventory lists of equipment in their custody, these lists have not been reconciled to the official Financial Office inventory nor have annual physical inventories been conducted as required. In addition, no standard method of "tagging" equipment exists. Personnel in control of personal property were unaware of the federal regulations or District policies and procedures that govern the control and accountability of personal property.

As a result, the Division had no effective control over its personal property. It could not ensure that assets acquired with Federal Assistance funds and license revenues were adequately safeguarded and utilized solely for the Division's administration.

Recommendations

We recommend that FWS require the Department to:

1. ensure that the policies and procedures pertaining to equipment management are followed;
2. perform a physical inventory and update the FAS inventory listing, as necessary; and
3. ensure all property is tagged with property identification numbers, as required.

E. Compliance With 3 Percent Limitation Not Ensured

States allocate administrative costs for state-provided central services as an indirect cost across multiple grants and programs. The Act limits indirect costs that states can allocate for state central services to Federal Assistance grants. Although the indirect costs the Department charged to FYs 2003 and 2004 grants were based on approved indirect cost rates, the Department had not requested a restricted rate to account for the limitation on state central services or established official written policies and procedures to ensure compliance with the limitation.

FWS has interpreted and codified the Act's requirement (see 50 C.F.R. § 80.15(e)). The regulation states that administrative costs in the form of overhead or indirect costs for state central services outside of the state fish and wildlife agency shall not exceed 3 percent of the annual apportionment to that state in any 1 fiscal year. In addition, 2 C.F.R. § 225, appendix E, section C.4(b), requires the state to request a special or restricted rate when federal statutes restrict reimbursement of certain indirect costs.

The states are responsible for complying with all rules and regulations of the grant programs in which they participate. As such, states must establish procedures that

include documenting steps to calculate and ensure that indirect costs for central services will not exceed 3 percent of the annual apportionment. Without proper application and monitoring, Department reimbursement for central services cost could exceed the 3 percent limitation.

Recommendations

We recommend that FWS require the Department to:

1. establish policies and procedures to address the 3 percent limitation, including documenting steps to calculate and ensure that indirect costs for central services applied to Federal Assistance grants will not exceed 3 percent of the annual Sport Fish apportionment;
2. apply for and receive, if the calculations show that the limitation will be exceeded, a restricted indirect rate; and
3. ensure that the restricted rate, if received, is applied correctly.

Appendix 1

DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH
FISHERIES AND WILDLIFE DIVISION
FINANCIAL SUMMARY OF REVIEW COVERAGE
OCTOBER 1, 2002, THROUGH SEPTEMBER 30, 2004

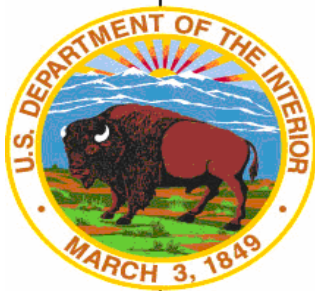
Grant Number	Grant Amount	Total Outlays	<u>Questioned Costs</u>		<u>Unsupported Costs</u>	
			<u>Total</u>	<u>Federal Share</u>	<u>Total</u>	<u>Federal Share</u>
F-1-C-18	\$305,823	\$256,394	\$16,195	\$16,195	\$124,798	\$124,798
F-1-C-19	310,627	242,434	10,444	10,444	124,696	124,696
F-2-R-18	597,192	415,334	10,319	10,319	231,095	231,095
F-2-R-19	499,032	384,381	110	110	316,860	316,860
F-4-E-17	332,123	332,209	7,660	7,660	311,541	290,290
F-4-E-18	334,698	299,864	7,117	4,663	210,199	202,308
F-6-D-12	40,000	30,000	0	0	0	0
F-6-D-13	80,000	60,000	0	0	0	0
F-10-D-1	1,590,000	1,591,100	0	0	0	0
Totals	\$4,089,495	\$3,611,716	\$51,845	\$49,391	\$1,319,189	\$1,290,047

Appendix 2

DISTRICT OF COLUMBIA
DEPARTMENT OF HEALTH
FISHERIES AND WILDLIFE DIVISION
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.1.1, A.1.2, A.1.3, A.2.1, A.2.2, A.2.3, A.3.1, A.3.2, A.3.3, B.1, C.1, C.2, D.1, D.2, D.3, E.1, E.2, E.3	FWS and the Department management did not provide a response; the recommendations are unresolved. Additional information is needed.	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 completion date and the official responsible for implementation of each recommendation. Any recommendations that are not implemented at the end of 90 days (after February 19, 2007) 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



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