



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

# **AUDIT REPORT**

**U.S. Fish and Wildlife Service  
Federal Assistance Program Grants Awarded to the  
Commonwealth of the Northern Mariana Islands,  
Department of Lands and Natural Resources,  
From October 1, 2002, Through September 30, 2004**

**Report No. R-GR-FWS-0023-2005**

**April 2007**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230  
Reston, Virginia 20191

April 3, 2007

### 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 Program Grants Awarded to the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, From October 1, 2002, Through September 30, 2004 (No. R-GR-FWS-0023-2005)

This report presents the results of our audit of costs incurred by the Commonwealth of the Northern Mariana Islands (Commonwealth), Department of Lands and Natural Resources (Department), under the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Federal Assistance Program for State Wildlife and Sport Fish Restoration (Federal Assistance Program). The audit included total reported outlays of approximately \$2.45 million on 17 FWS grants that were open during FYs 2003 and 2004 (see Appendix 1). The audit also covered Department compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of Commonwealth hunting and fishing permit revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned \$129,083 in costs (federal share) and developed findings regarding inadequate accounting of program income and revenues received for hunting and fishing permits. We also found that the Department did not 1) ensure project level accounting was maintained for one wildlife research grant; 2) apply indirect cost rates to Federal Assistance Program grants correctly and consistently; or 3) adequately account for equipment purchased with Federal Assistance Program funds during FYs 2003 and 2004.

We provided a draft of the report to FWS and the Department for response. The Department's response consisted of a joint response from Department officials and officials from the Department's Division of Fish and Wildlife (Division). This report includes a summary of Department, Division, and FWS Region 1 responses after each recommendation, as well as our comments on the responses. We list the status of the recommendations in Appendix 3.

Please provide us with your written response to the recommendations included in this report by July 2, 2007. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

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

cc: Regional Director, Region 1, 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 (the Acts)<sup>1</sup> established the Federal Assistance Program for State Wildlife and Sport Fish Restoration. Under the Federal Assistance Program, FWS provides grants to states to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and federal regulations contain provisions and principles on eligible costs and allow the FWS to reimburse any state up to 75 percent of the eligible costs incurred under the grants. For certain government entities, including the Commonwealth, the Acts allow for full reimbursement of eligible costs incurred under the grants. The Acts also require that state hunting and fishing license revenues be used only for the administration of the State's fish and game agency. Finally, federal regulations and FWS guidance require states to account for any income they earn using grant funds.

### Objectives

Our audit objectives were to determine whether the Department:

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

### Scope

Audit work included claims totaling approximately \$2.45 million on 17 FWS grants that were open during FYs 2003 and 2004 (see Appendix 1). We performed our audit at Department headquarters in Saipan, Commonwealth of the Northern Mariana Islands (Commonwealth), and visited the Department's Division of Fish and Wildlife (Division) office and four boat launch facilities (see Appendix 2). 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.

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

## **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. Our tests and records included:

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to review equipment and other property; and
- determining whether the Department used hunting and fishing permit revenues solely for sport fish and wildlife program purposes.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions in these systems for testing. We did not evaluate the economy, efficiency, or effectiveness of Department operations nor project the results of tests to the total population of recorded transactions.

## **Prior Audit Coverage**

On January 22, 2003, we issued “Advisory Report on Costs Claimed by the Commonwealth of Northern Mariana Islands, Department of Lands and Natural Resources, under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1996 Through September 30, 1998” (Report No. 2003-E-0013). We followed up on all recommendations in the report and determined that the Department of Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them resolved and implemented. In addition, the Commonwealth issued its 2003 Single Audit Report for the year ended September 30, 2003, on July 6, 2005. We found that all relevant recommendations were considered resolved by FWS.

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## Results of Audit

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### Audit Summary

We found that the Department complied, in general, with selected grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we discovered several conditions that resulted in the findings listed below, including \$129,083 in questioned costs. We discuss the findings in more detail in the Findings and Recommendations Section.

**Questioned Costs.** We questioned \$129,083 (federal share) in expended grant funds due to insufficient source documentation.

**Inadequate Accounting of Program Income.** The Department may have underreported program income related to operating and maintaining the Smiling Cove Marina due to inadequate records on vessels occupying space at the marina.

**Required Project Level Accounting Not Performed.** Grant-required project-level accounting was not maintained on one wildlife research grant.

**Incorrect Indirect Cost Rates.** The Department incorrectly and inconsistently applied indirect cost rates to its Federal Assistance Program grants as a result of inadequate management and accounting controls.

**Inadequate Equipment Management.** Required physical inventories of equipment purchased with Federal Assistance Program funds were not performed.

**Inadequate Accounting of Hunting and Fishing Permit Revenue.** The Department did not adequately account for revenues received for hunting and fishing permits issued, resulting in a potential diversion of permit revenue.

### Findings and Recommendations

#### A. Questioned Costs — \$129,083

We sampled 112 transactions valued at \$595,388 on 14 Federal Assistance Program grants to determine if costs were reasonable, necessary, and adequately supported by source accounting data. As a result of our review, we questioned \$129,083 of costs claimed.

OMB Circular A-87 (recently codified in the Code of Federal Regulations as 2 C.F.R. § 225), attachment A, section C lists factors for determining whether costs are allowable. To be allowable under federal awards, costs must be necessary and reasonable, allocable and authorized, and adequately documented [emphasis added]. Title 43 C.F.R. § 12.60(a)(2) requires each state to have a financial management system in place that permits the tracing of funds at a level adequate to establish compliance with grant

provisions. Title 50 C.F.R. § 80.15(a) requires all costs to be supported by source documents or other records.

Neither the Department's Division of Fish and Wildlife (Division) nor the Commonwealth's Department of Finance and Accounting (Finance) could locate or provide sufficient vendor source documentation to support \$129,083 of charged costs, which we questioned (see Appendix 1). The affected grants are listed below:

<b><u>Grant Number</u></b>	<b><u>Questioned Costs (Unsupported)</u></b>
F-2-R-5	\$44,359.96
F-2-R-6	\$22,559.60
F-5-D-3	\$7,782.83
F-6-B-4	\$2,500.00
F-6-B-5	\$717.00
F-6-B-6	\$2,689.26
FW-1-C-20	\$19,748.54
FW-1-C-21	\$1,643.74
FW-1-C-22	\$8,820.00
W-2-R-5	\$16,143.04
W-2-R-6	<u>\$2,118.92</u>
	<u>\$129,082.89</u>

We questioned the full amounts of the charges because the Commonwealth is fully reimbursed for all grant expenditures.

### **Recommendations**

We recommend that FWS:

1. resolve the unsupported costs of \$129,083,
2. require the Division to develop policies and procedures to maintain supporting documentation for expenditures incurred under Federal Assistance Program grants, and
3. require the Division to develop procedures to reconcile their supporting documentation with the documentation maintained by the Commonwealth (Finance).

### **Department Response**

Division officials concurred with the audit recommendations and requested that the detailed information on specific costs in question be provided to the Department to aid in resolving the questioned costs. Department officials also requested that the responsibility

placed in recommendation two on the Department to develop procedures be assigned to the Division of Fish and Wildlife.

### **FWS Response**

FWS Region 1 management concurred with the recommendations and found the Department requests reasonable. They also stated that they would work with the Department in developing a corrective action plan to address the recommendations.

### **OIG Comments**

In response to the Division's request for more detailed information, we added a table identifying the questioned costs by grant. We will also provide additional detailed information directly to the Division identifying the transaction codes associated with the questioned costs. In response to the Department's request for changing the responsible entity in recommendation two, we reworded the recommendation and created a third recommendation to ensure the Division's and the Commonwealth's information on grant expenditures are reconciled.

While FWS management concurs with the recommendations, additional information is needed in the corrective action plan, including verification that FWS officials reviewed and approved of actions taken or planned by the Commonwealth, the targeted completion dates, and titles of officials responsible for implementing actions taken or planned to resolve and implement the recommendations.

## **B. Inadequate Accounting of Program Income**

Regulations permit grantees to earn program income as a result of grant-supported activities but require that they account for such income. During FYs 2003 and 2004, the Department reported program income of \$110,158 from grant F-4-B-18 and \$122,492 from grant F-4-B-19 for berthing and mooring fees paid by vessel owners for occupying space in the Smiling Cove Marina (Marina). We were unable to confirm these totals because the Department did not ensure that all berthing and mooring fee revenues generated from operations at the Marina were adequately accounted for or reported as program income for grants F-4-B-18 and F-4-B-19.

According to 43 C.F.R. § 12.65, program income is gross income received by a grantee that is 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 approval from the awarding agency, it should be added to project funds to advance eligible program objectives. Further, 50 C.F.R. § 80.19 requires states to maintain current and complete financial, property, and procurement records, in accordance with requirements contained in the Federal Assistance Manual and OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments." Finally, 43 C.F.R. § 12.82, Retention Requirements for Records, states that records must be retained for three years from the last action for that grant.



Vessel owners submitted payments for occupying space in the Marina to Finance. Revenues reported under the grant were based only on receipts recorded in Finance's financial reporting system. The system, however, did not contain records of all payments received because the Department did not maintain adequate records to ensure integrity of data input into the system. For example, the Department did not maintain monthly tenant records to track which vessel occupied which berthing space or temporary mooring site.

Further, the Department did not reconcile billed amounts with the revenues received because not all payments included information on the vessel, slip number, or month for which payment was made. Finally, the Department established unofficial "old accounts" totaling greater than \$50,000 for delinquent mooring payments without establishing official accounts receivables for the delinquent amounts.

According to Department personnel, they were unaware they needed to maintain records of the tenants and which vessel occupied which berthing slip or temporary mooring site for each month during the year. In addition, the Department did not have written internal accounting policies and procedures on how to account for program income generated by Marina operations. Finally, Marina personnel told us that the Marina office was destroyed in a fire, along with all of its files, in January 2004. Due to the lack of adequate records at the Marina, revenues and program income may be underreported.

## **Recommendations**

We recommend that FWS require the Department to:

1. maintain — for a minimum of 3 years after the end of the grant period — a monthly tenant listing of all vessels that are berthed or moored at the Marina and of all vacant slips, and to ensure that such data is adequately safeguarded in the event of a disaster;
2. reconcile monthly Marina tenant listings with amounts billed to the revenues received and deposited with Finance, and use the reconciled list to collect unpaid billings;
3. establish separate accounts receivables for each delinquent account on the official records of Finance; and
4. develop written policies and procedures to guide Marina personnel in adequately accounting for receipts generated by Marina operations.

## **Department Response**

The Division stated that it did not concur with the recommendations, citing the destruction of records and equipment in a fire that destroyed the Smiling Cove Marina in January 2004 as the cause for the lack of documentation available to the OIG. They also stated that they do currently reconcile the monthly Marina tenant listings with amounts

billed to the revenues received and deposited with Finance. However, they stated that they will further improve their current fiscal tracking system to include information on when vessel owners make payments on delinquent accounts.

### **FWS Response**

FWS Region 1 management concurred with the recommendations and stated that the Department's statement regarding the fire destruction is true. However, they consider the Department's "ability to ensure the availability of documents and information system capabilities following natural or man-made disasters or emergencies to be absent," and asked that the issue be addressed in the recommendations. They also stated that they would work with the Department to develop a corrective action plan to address the recommendations.

### **OIG Comments**

We acknowledge the fact that a fire destroyed the records maintained from the FYs reviewed during the audit period, and added this information to the finding. However, we note that the Marina should have procedures in place to ensure they do not lose critical information in the event of a disaster such as a fire. The Government Accountability Office Federal Information Systems Controls Audit Manual, Chapter 3.6 discusses service continuity and identifies various steps that an organization can take to prevent or minimize the potential damage to and/or interruption of automated operations. These steps include routinely duplicating and backing up data files, computer programs, and critical documents with offsite storage. Per the FWS request, we added additional language to recommendation one addressing the need for maintaining data even in the event of a disaster.

Division officials stated that they currently reconcile monthly Marina listings of amounts billed to the revenues received and deposited with Finance and provided an example of their "Tenant Payment Breakdown" spreadsheet. We note that the data in the spreadsheet provided covers the period from October to December 2006, but does not contain records from the audit period.

Further information is needed in the corrective action plan, including:

- procedures currently in place that Department officials believe address the recommendations,
- specific information on planned actions to improve the current fiscal tracking system,
- targeted completion dates and titles of officials responsible for actions taken or planned, and

- verification that FWS officials reviewed and approved of actions taken or planned and the time frames and individual(s) responsible for implementation.

### **C. Required Project Level Accounting Not Performed**

The Department did not account for costs at the project level on one grant that required that level of accounting. Wildlife Research Grant W-2-R-5 for \$281,152 was comprised of six separate project components, including swiftlet surveys, endemic and migratory bird surveys, bat research, introduced animal management, technical assistance, and conservation area management plans. Each project had its own budget. Instead of reporting costs for each project to allow for comparison of actual and budgeted costs on each project within the grant, the Department and Finance accounted for and reported costs in total at the grant level (under account number I3611A).

The requirements of Title 43 C.F.R. § 12.70(c) apply to each project in grant W-2-R-5 because the grant agreement required project-level, rather than grant-level, accounting. For grants and projects exceeding \$100,000, the regulation requires a grantee to obtain approval of the awarding agency for cumulative transfers among the separately budgeted projects. This requirement applies when the transfers exceed 10 percent of the total approved budget.

We identified no monetary impact; however, the FWS has no assurance that the funds were spent in accordance with the approved grant budget or that the Department was in compliance with the limitations on the transfer of funds among each project within the grant.

Although the grant agreement clearly requires project level accounting, Department personnel stated they were unaware of the requirement to establish separate project accounts for each project component.

### **Recommendations**

We recommend that FWS require the Department to:

1. account for and report grant costs at the project level for the Wildlife Research Grant and
2. ensure that the project level grant costs reconcile with the amounts recorded in account number I3611A.

### **Department Response**

Division officials concurred with the recommendations and stated that they will prepare documentation to report costs for each project under grant W-2-R-5 and submit the revised report no later than June 20, 2007. Officials also stated that they will issue an administrative policy providing guidelines to ensure that each Federal Assistance Program grant requiring project level accounting is tracked and reconciled with Finance

and Project Principle Investigator records. They also indicated that project level accounting will be included in the annual accomplishment reports.

### **FWS Response**

FWS Region 1 management concurred with the recommendations and stated that they would review the records for the wildlife research grant upon receipt, review the submitted administrative policy, and work with the Department in developing a corrective action plan to address the recommendations.

### **OIG Comments**

FWS management concurred with the recommendations, and the Division indicated it has taken steps to ensure that the accounting is corrected for grant W-2-R-5 and project level accounting is performed when required on future grants. However, additional information is needed in the corrective action plan documenting the corrective actions taken or planned, targeted completion dates, and titles of officials responsible for implementing the actions. The plan should also contain verification from the FWS that they reviewed and approved of the information provided and actions taken or planned.

## **D. Incorrect Indirect Cost Rates**

Finance and the Department incorrectly and inconsistently applied indirect cost rates to grants issued under the Federal Assistance Program during FYs 2003 and 2004. We found that at least 7 out of 17 grants opened in 2003 and 2004 were incorrectly charged. Finance and the Department charged:

- an incorrect indirect cost rate,
- the correct rate to an incorrect grant base cost, and
- an incorrect rate to an incorrect base cost.

Additionally, neither Finance nor the Department can demonstrate compliance with the requirement to limit the indirect costs charged for state central services to Federal Assistance Program grants, as required under federal regulations.

Title 50 C.F.R. § 80.15(d) limits the indirect costs that states can charge to Federal Assistance Program grants. It states that administrative costs in the form of overhead or indirect costs for state central services (outside of the state fish and wildlife agency) must follow an approved cost allocation plan and shall not exceed 3 percent of the annual apportionment of Federal Assistance funding to that state in any single fiscal year. In addition, OMB Circular A-87 (recently codified as 2 C.F.R. § 225), attachment E, section C.4(b) states that when restrictions to indirect cost reimbursements exist, it may be necessary to develop a special “restricted” rate for the affected award. A restricted rate

requires elimination of those costs for which the law prohibits reimbursement from the indirect cost pool.

Finance and Department personnel who compute and account for indirect cost rates to applicable grant expenditures have not received adequate training on the charging of indirect costs. Additionally, neither the Department nor Finance has developed accounting policies or procedures to determine if the 3 percent limitation is being exceeded. They have also not determined the applicable grant expenditures that indirect costs may be charged against.

### **Recommendations**

We recommend that FWS require the Department to:

1. request, along with Finance, technical assistance from the National Business Center Indirect Cost Service to ensure personnel understand which expenditures are subject to indirect costs and the 3 percent limitation;
2. ensure future indirect cost rates applied to Federal Assistance Program grants limit the costs of central services to 3 percent of the annual apportionments of the Federal Assistance Program for State Wildlife and Sport Fish Restoration;
3. prepare accounting policies and procedures to demonstrate and monitor its compliance with 50 C.F.R. § 80.15(d); and
4. determine, in consultation with FWS, whether it is necessary to develop a restricted rate, applicable only to Federal Assistance Program grants, that incorporates the 3 percent limitation imposed by 50 C.F.R. § 80.15(d).

### **Department Response**

Division officials stated that they acknowledge the 3 percent limitation imposed by 50 C.F.R. § 80.15(d). They indicated that they are collaborating with Finance on a Memorandum of Agreement to ensure that all applicable Federal Assistance Program grant funds are subject to the limitation. Department officials also stated that they agree to comply with the 3 percent limitation, but that they believe a restricted rate is unnecessary.

### **FWS Response**

FWS Region 1 management concurred with the recommendations. They also stated that they would work with the Department in developing a corrective action plan to address the recommendations.

## **OIG Comments**

FWS concurred with the recommendations and the Division indicated it has taken steps to ensure that they are in compliance with the 3 percent limitation. However, while Department officials believe that a restricted rate is unnecessary, they should perform and submit to FWS calculations that demonstrate a restricted rate is unnecessary. Additional information is also needed in the corrective action plan, including targeted completion dates and titles of officials responsible for implementing actions taken or planned. Finally, the plan should include verification from the FWS that they reviewed and approved of the information provided and actions taken or planned.

### **E. Inadequate Equipment Management**

The Department did not follow practices required to safeguard their equipment. For example, the Procurement and Supply Division (Procurement) did not prepare property inventories or perform physical checks of property for FY2003. While Procurement did prepare and distribute applicable 2004 property inventories to the Department, the Department did not perform the required physical inventory. Further, Procurement did not perform the required random audits in FYs 2003 or 2004. We therefore concluded that the Department had inadequate internal management and accounting controls over equipment purchased with Federal Assistance Program funds.

Section III of the Commonwealth's Property Management Policies and Procedures Manual requires Procurement to conduct an annual inventory of property held by each accountable person, as recorded in a master inventory control record. Section IV requires that Procurement perform an annual physical inventory and update its written master inventory to record property that is missing, damaged, or is no longer needed, and to identify property not on the inventory control record. The Manual further requires Procurement to perform random audits of property to validate the integrity of the property control process. In addition, 50 C.F.R. § 80.19 requires the state to maintain current and complete financial, property, and procurement records.

Procurement personnel told us the property inventories were not performed because they were understaffed and Department personnel told us they were unclear on their responsibility to physically check property.

### **Recommendations**

We recommend that FWS require the Department to:

1. conduct a physical inventory of its personal property immediately,
2. report inventory results to Procurement, and
3. request that Procurement perform an audit of property to ensure that the inventory control process is financially sound.

### **Department Response**

Division officials stated that personnel are currently conducting a physical inventory of all assets assigned to the Division. Officials also provided a copy of a January 10, 2007 policy that they stated they issued to ensure annual internal physical inventories are performed, internal inventory control records are updated, and that copies of updated records are transmitted to Procurement. They also provided a copy of a January 10, 2007 memorandum that they indicated was sent to Procurement. The memorandum requested that Procurement perform an audit of property to ensure that the inventory control process is sound.

### **FWS Response**

FWS Region 1 management concurred with the recommendations and stated that they would consider the results of the administrative policy provided by the Division. They stated that they consider recommendation three addressed by the memorandum sent to Procurement. They also stated that they would work with the Department in developing a corrective action plan to address the recommendations.

### **OIG Comments**

FWS Region 1 management concurred with the recommendations. Based on the documentation provided by the Division, the FWS Region 1 response and verbal confirmation from an official from FWS headquarters that management approves of the actions taken, we consider recommendation E.3 resolved and implemented. Additionally, Division officials indicated they took steps to correct the inventory issues by conducting a physical inventory, issuing administrative policy to personnel, and issuing a request to Procurement that it perform an audit of property. However, additional information is needed in the corrective action plan verifying that FWS reviewed and approved of actions taken for recommendations E.1 and E.2. The corrective action plan should also include the targeted completion dates and titles of officials responsible for implementing actions taken or planned to resolve and implement the recommendations.

## **F. Inadequate Accounting of Hunting and Fishing Permit Revenue**

The Department did not adequately account for revenues received for hunting and fishing permits issued during FYs 2003 and 2004. The Department did not annually reconcile the revenues from the permits it issued to the revenues deposited into the financial accounts designated for permit revenue. Further, Department personnel inappropriately pre-signed permits and did not adequately secure them in their offices.

Title 50 C.F.R. § 80.4 prohibits revenues from license fees paid by hunters and fishermen from being diverted to purposes other than the administration of state fish and wildlife agencies. In addition, 50 C.F.R. § 80.19 requires the state to maintain current and complete financial, property, and procurement records in accordance with requirements contained in the Federal Assistance Manual and OMB Circular A-102. Finally,

fundamental accounting controls include reconciliations of related data, such as permits issued, to funds received.

Department personnel said that they were unaware of the need to reconcile the number of permits issued and revenues received to the revenues received and deposited into permit receipts accounts maintained by Finance.

The Department recorded permit revenues of \$4,610 and \$4,340 for FYs 2003 and 2004, respectively. Finance recorded permit revenue deposits of \$10,685 and \$7,780 for FYs 2003 and 2004, respectively. The result is a total of \$9,515 in permit revenues that were not reconciled to the permits issued during FYs 2003 and 2004. Therefore, the Department cannot ensure that permit revenues were not diverted for purposes other than the administration of the fish and wildlife agency. Additionally, pre-signed and unsecured permits create the potential for permits to be issued without collecting fees and for the loss of documentation on the number of permits issued.

### **Recommendations**

We recommend that FWS:

1. require the Department to reconcile its permit receipts to the receipts tracked in the Finance accounts and determine whether license revenues have been diverted,
2. prohibit the Department from pre-signing permits, and
3. require the Department to secure the permits in a locked cabinet within their offices.

### **Department Response**

Division officials provided a copy of a January 9, 2007 policy memorandum regarding hunting and fishing licenses. They stated that the Division Enforcement Officer issued the procedural guidelines, which include a requirement to reconcile on a monthly basis the permit receipts to the payment receipts documented in the Finance accounts. The procedural guidelines also included a prohibition against pre-signing permits and a requirement to keep unsigned permits in a locked drawer.

### **FWS Response**

FWS Region 1 management concurred with the recommendations, and stated that it reviewed the policy provided by the Division. They believe the policy satisfies recommendations two and three. They also stated that they would work with the Department in developing a corrective action plan to address recommendation one.



### **OIG Comments**

The Division has taken steps to ensure that a monthly reconciliation of receipts is performed in the future, pre-signed permits are prohibited, and permits are secured. Based on the documentation provided by the Division, the FWS Region 1 response and verbal confirmation from an official from FWS headquarters that management approves of the actions taken, we consider recommendations F.2 and F.3 resolved and implemented. However, additional information is needed in the corrective action plan documenting reconciliation of past permits to determine whether license revenues have been diverted and verifying that FWS reviewed and approved of actions taken. The corrective action plan should also include the targeted completion dates and titles of officials responsible for implementing actions taken or planned to resolve and implement the remaining recommendation.

## Appendix 1

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**DEPARTMENT OF LANDS AND NATURAL RESOURCES**  
**FINANCIAL SUMMARY OF REVIEW COVERAGE**  
**OCTOBER 1, 2002, THROUGH SEPTEMBER 30, 2004**

<b>Grant No.</b>	<b>Grant Amount</b>	<b>Reported Outlays</b>	<b>Questioned Costs (Unsupported) (Federal Share)</b>
F-4-B-17	\$253,446	\$94,687	
FW-1-C-20	202,046	150,687	\$19,748
F-6-B-4	490,115	489,187	2,500
W-2-R-5	281,152	269,122	16,143
FW-1-C-21	189,984	156,104	1,644
F-4-B-18	248,180	129,854	
F-7-AE-5	87,265	25,610	
F-2-R-5	393,834	294,403	44,360
F-7-AE-6	58,354	24,019	
FW-1-C-22	202,499	160,552	8,820
F-6-B-6	8,545	8,533	2,689
F-4-B-19	256,678	55,565	
F-7-AE-7	87,605	49,586	
W-2-R-6	247,494	219,343	2,119
F-6-B-5	327,985	3,816	717
F-5-D-3	208,918	26,148	7,783
F-2-R-6	388,538	291,729	22,560
	<b>\$3,932,638</b>	<b>\$2,448,945</b>	<b>\$129,083</b>

## **Appendix 2**

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
DEPARTMENT OF LANDS AND NATURAL RESOURCES  
SITES VISITED**

Tanapag Beach Public Boat Ramp

Smiling Cove Marina

Fishing Base Boat Ramp

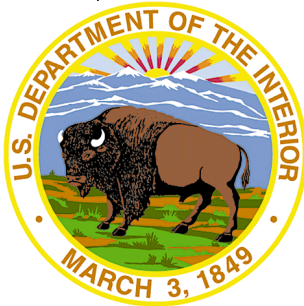
Sugar Dock Boat Ramp

### Appendix 3

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS DEPARTMENT OF LAND AND NATURAL RESOURCES STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.1, A.2, A.3, B.1, B.2, B.3, B.4, C.1, C.2, D.1, D.2, D.3, D.4, E.1, E.2, and F.1	FWS management concurred with the recommendations, but additional information is needed.	Additional information is needed in the corrective action plan, including the actions taken or planned to implement the recommendations, targeted completion date(s), the title of official(s) responsible for implementation, and verification that FWS officials reviewed and approved of actions taken or planned by the Department and Division. We will refer recommendations not resolved and/or implemented at the end of 90 days (after July 2, 2007) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
E.3, F.2, and F.3	Resolved and implemented.	No further action is required.

# **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.



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Washington, D.C. 20240

## **By Phone**

24-Hour Toll Free	800-424-5081
Washington Metro Area	703-487-5435

## **By Fax**

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[www.doioig.gov/hotline](http://www.doioig.gov/hotline)