



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

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Program Grants
Awarded to the
State of Kansas, Department of Wildlife and Parks,
From July 1, 2004, Through June 30, 2006**

Report No. R-GR-FWS-0001-2007

May 2007



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230
Reston, Virginia 20191

May 2, 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 U.S. Fish and Wildlife Service Federal Assistance Program Grants
Awarded to the State of Kansas, Department of Wildlife and Parks, From
July 1, 2004, Through June 30, 2006 (No. R-GR-FWS-0001-2007)

This report presents the results of our audit of costs incurred by the State of Kansas (State), Department of Wildlife and Parks (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration (Federal Assistance Program). The audit included claims totaling approximately \$23.5 million on 42 Federal Assistance Program grants that were open during State fiscal years (SFYs) ended June 30 of 2005 and 2006 (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 and hunting license revenue and the reporting of program income.

We found the Department complied, in general, with applicable grant accounting and regulatory requirements. However, we found that the Department used an outdated statistical report to eliminate duplicate hunting and fishing license holders from its annual report to the FWS on the number of license holders in the State. The Department therefore may have underreported or overreported the number of license holders to FWS.

We provided a draft of the report to FWS and the Department for response. This report summarizes Department and FWS Region 6 responses after the recommendation, as well as our comments on the responses. We list the status of the recommendation in Appendix 3.

Please provide us with your written response to the recommendations included in this report by July 31, 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 the audit team leader, Tom Nadsady, at 916-212-4164 or me at 703-487-5345.

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

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)¹ 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 FWS to reimburse the states up to 75 percent of the 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

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

- incurred the costs claimed under the 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

The audit work included claims totaling approximately \$23.5 million on 42 FWS grants that were open during SFYs 2005 and 2006 (see Appendix 1). We performed our audit at the Department headquarters in Topeka and its operations office in Pratt and visited 30 wildlife or fishery related locations (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments of 1996 and by 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. Our tests and procedures included:

- examining the evidence that supports selected expenditures charged to the grants by the Department;

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

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

To the extent possible, we relied on the work of the certified public accounting firm that performed the SFYs 2004 and 2005 single audits to avoid duplication of audit effort.

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

Prior Audit Coverage

On January 24, 2003, we issued “Costs Claimed by the State of Kansas, Department of Wildlife and Parks, under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1999 through June 30, 2001” (Report No. 2003-E-0016). We followed up on all recommendations in the report and found that they had all been considered resolved and implemented by the Department of Interior, Office of the Assistant Secretary for Policy, Management, and Budget.

We also reviewed Kansas’ Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2004 and 2005. None of these reports contained any findings that would directly impact the Department’s Federal Assistance Program grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we found that the Department may have overstated or understated the number of license holders in its report to FWS. We discuss the finding in more detail below.

Finding and Recommendation

Overstated or Understated Number of License Holders

Each state is responsible for certifying and reporting to FWS the number of hunting and fishing license holders in the state each year. States may count each individual only once as a fishing license holder and once as a hunting license holder. To determine the estimated number of license holders with more than one license and eliminate this number from its counts, Department personnel conducted a statistical survey in 1998. The survey was outdated after license year 2003, but the Department used it for eliminating potential duplicate license holders from its license certifications for license years 2004 and 2005.

The Code of Federal Regulations (50 C.F.R. § 80.10 (a) and (b)) contains the requirement that the states report to FWS the number of persons holding paid hunting and/or fishing licenses in the state in the preceding year, and that they certify the accuracy of the counts. In addition, Section 80.10 (c)(5) states that an individual holding more than one license to hunt or fish shall not be counted more than once. Finally, the FWS Manual (522 FW 2.7(1), Grantee Administration) recommends that the states conduct surveys to determine and adjust for duplicate license holders every 5 years, or sooner if it changes the license structure.

Department officials told us that they continued using the results of the 1998 survey to eliminate duplicate license holders from their counts because they anticipated that they would implement an automated license system before the study became outdated. An automated system may allow for the use of alternative methods to eliminate duplicate license holders from the annual counts. The State has implemented an automated system, but has not updated its survey or developed an alternative method for eliminating duplicate license holders from its counts.

The number of paid license holders reported by the Department could be overstated or understated. Because the State receives its annual sport fish and wildlife apportionments of grant funds based, in part, on the number of license holders, we believe that accurate counts are necessary to assure that each state receives its fair share of funds.

Recommendation

We recommend that FWS require the Department to update its statistical survey or to develop, document, and implement an alternative methodology for identifying and removing duplicate license holders in the new automated system.

Department Response

Department officials concurred with the recommendation. Additionally, in March 2007, the Federal Aid coordinator provided FWS with the Department's proposed procedures for eliminating duplicate license holders.

FWS Response

FWS management concurred with the recommendation and stated that they approved of the new procedures planned to address the recommendation.

OIG Comments

FWS Regional management concurs with the recommendation and the Department developed proposed procedures. We reviewed the procedures and believe they will adequately identify duplicate license holders and allow the Department to eliminate those license holders from their annual counts. However, additional information is needed in the corrective action plan, including the final procedures, targeted completion date, title of the official responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken.

**KANSAS DEPARTMENT OF WILDLIFE AND PARKS
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2004, THROUGH JUNE 30, 2006**

Grant Number	Grant Amount	Reported Outlays
F-21-D-11	\$1,432,311	\$1,552,039
F-21-D-12	1,432,311	1,572,426
F-22-R-11	760,000	741,947
F-22-R-12	760,000	703,168
F-23-R-10	527,250	493,477
F-30-R-11	85,639	106,258
F-30-R-12	94,241	60,672
F-33-M-12	826,917	620,188
F-33-M-13	790,934	749,135
F-34-D-9	263,920	296,342
F-34-D-10	274,370	325,139
F-38-B-5	1,318,631	1,187,478
F-38-B-6	1,227,470	727,119
F-40-D-8	435,435	465,557
F-40-D-9	422,850	482,210
F-46-L-7	210,547	173,216
F-46-L-8	228,300	151,213
F-50-R-1	30,475	27,073
F-50-R-2	57,224	54,653
F-50-R-3	58,797	5,290
F-51-M-1	1,196,160	1,886,572
F-51-M-2	1,196,160	597
FW-10-C-11	104,028	97,206
FW-10-C-12	105,432	106,900
FW-12-C-11	108,552	95,219
FW-12-C-12	111,960	96,336
W-37-E-11	511,707	485,319
W-37-E-12	518,373	492,415
W-38-L-10	2,205,333	2,014,521
W-38-L-11	2,226,283	1,974,672
W-38-L-12	2,394,490	11,172
W-39-R-11	792,024	726,409
W-39-R-12	799,794	781,676

**KANSAS DEPARTMENT OF WILDLIFE AND PARKS
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2004, THROUGH JUNE 30, 2006**

Grant Number	Grant Amount	Reported Outlays
W-43-M-11	1,217,050	1,301,274
W-43-M-12	1,191,910	1,247,772
W-55-M-4	832,091	778,692
W-55-M-5	951,431	334,004
W-56-R-3	121,952	118,334
W-59-D-2	60,000	0
W-60-D-1	499,500	313,397
W-60-D-2	203,972	113,888
W-62-R-1	40,780	44,333
Total	\$28,626,604	\$23,515,308

KANSAS DEPARTMENT OF WILDLIFE AND PARKS
SITES VISITED

Regional Offices

Region 1, Stockton
Region 5, Chanute

Wildlife Management Areas

Brzon
Byron Walker
Glen Elder
Jamestown
Jewel
John Redmond
Lovewell
Marais des Cygnes
Melvern
Milford
Mined Lands
Neosho
Sagebrush
Toronto
Woodson

Fishing Lakes

Cedar Bluff Reservoir
Cedar Valley Reservoir
Coffee County
Gage Park
Jewel County
Pratt Centennial Pond
Webster Reservoir

Walk in Hunting Areas

Crawford County walk in area #16, McCune
Osborne County walk in area #12, Downs

Education and Nature Center

Milford Nature Center
Pratt Education Center

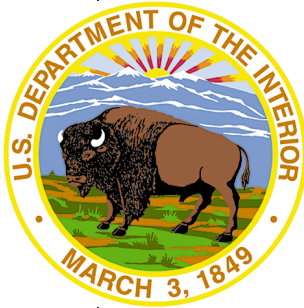
Fish Hatcheries

Milford
Pratt

**KANSAS DEPARTMENT OF WILDLIFE AND PARKS
STATUS OF AUDIT FINDING AND RECOMMENDATION**

Recommendation	Status	Action Required
A	FWS management concurred with the recommendation, but additional information is needed.	Additional information is needed in the corrective action plan, including the final procedures, targeted completion date(s), the title of official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken. We will refer the recommendation, if not resolved and/or implemented at the end of 90 days (after July 31, 2007), to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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