



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

# **AUDIT REPORT**

**U.S. Fish and Wildlife Service  
Federal Assistance Program Grants  
Awarded to the Government of Guam,  
Department of Agriculture, From  
October 1, 2004, Through September 30, 2006**

**Report No. R-GR-FWS-0009-2007**

**February 2007**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230

Reston, VA 20191

February 14, 2008

### 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 Government of Guam, Department of Agriculture, From October 1, 2004, Through September 30, 2006 (No. R-GR-FWS-0009-2007)

This report presents the results of our audit of costs incurred by the Government of Guam (Guam), Department of Agriculture (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to Guam under the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration (Federal Assistance Program). The audit included claims totaling \$1,808,892 on 13 grants that were open during fiscal years (FYs) ended September 30 of 2005 and 2006 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license 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 \$1,273 in costs because the Department received federal funds (made a drawdown) for expenses before the associated work had been performed and drew down funds in excess of the expenditures recorded in the accounting system. In addition, we found that the Department had inadequate controls over its equipment and its use of hunting license revenues.

We provided a draft report to FWS and the Department for a response. We summarized the Department and FWS Region 1 responses after each recommendation, as well as our comments on the responses. We list the status of each recommendation in Appendix 2.

Please respond in writing to the findings and recommendations included in this report by May 14, 2008. 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 Federal Assistance Audit Coordinator, Mr. Chris Krasowski, 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 (Acts)<sup>1</sup> established the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration. Under the Federal Assistance Program, FWS provides grants to States<sup>2</sup> 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 States up to 75 percent of the eligible costs incurred under the grants. For certain government entities, including Guam, the Acts allow for full reimbursement of eligible costs incurred under the grants. The Acts also require that 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 if 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 \$1,808,892 on the 13 grants that were open during FYs 2005 and 2006 (see Appendix). We report only on conditions that existed during the audit period. We performed our audit at the Department's Division of Aquatic and Wildlife Resources (Division) headquarters in Mangilao, Guam. We also visited the Masso Reservoir restoration project and two locations that had fishing platforms and shallow water mooring buoys. We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

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

<sup>2</sup> The Acts define the term "State" to include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

## Methodology

We performed our audit in accordance with the “Government Auditing Standards” issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures 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;
- determining whether the Department used hunting and fishing license revenues solely for sport fish and wildlife program purposes; and
- determining whether Guam passed required legislation assenting to the provisions of the Acts.

To the extent possible, we relied on the work of Deloitte Touche, the certified public accounting firm that performed the Single Audits for FYs 2005 and 2006, which helped to avoid duplication of audit effort.

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 project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of Department operations.

## **Prior Audit Coverage**

On March 4, 2004, we issued our audit report “U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Government of Guam, Department of Agriculture, Division of Aquatic and Wildlife Resources from October 1, 1999, to September 30, 2000” (Report No. R-GR-FWS-0029-2004). Based on the Corrective Action Plan provided to us by FWS, we closed all recommendations in the report as resolved and implemented. We did not refer any recommendations to the Department of Interior, Office of Policy, Management, and Budget for tracking.

We reviewed Guam’s Single Audit Reports for FYs 2005 and 2006. The reports did not include any findings regarding the Department’s Federal Assistance Program grants or programs under the grants.

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## Results of Audit

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### Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. The Department claimed no in-kind contributions and earned no program income or fishing license revenue. However, we identified several conditions that resulted in the findings listed below, including questioned costs totaling \$1,273. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** Guam made a \$32,000 drawdown of Federal Assistance Program funds before ensuring that the work required under the grant had been performed. In addition, Guam's drawdowns exceeded by \$900 the amounts shown in its financial accounting system on two of the Federal Assistance Program grants. These actions led to \$821 in lost interest to the federal government and a \$452 overpayment to the Department.

**Inadequate Equipment Controls.** Required physical inventories were not conducted and equipment had not been tagged, leaving Guam's equipment vulnerable to misuse.

**Potential Improper Use of Hunting License Fee Revenues.** The Department collected license fee revenues of \$24,270 and \$22,635 for FYs 2005 and 2006, respectively, but could not demonstrate that it spent the license revenues solely on fish and wildlife program activities.

### Findings and Recommendations

#### A. Questioned Costs — \$1,273

##### 1. Unallowable Payment — Questioned \$821 in Lost Interest

Guam requested and received reimbursement for \$32,000 in expenses for work that was to be performed by the University of Guam (University). Guam made this drawdown of grant funds before ensuring that the University performed the work required under the grant. As a result, Guam and the University received an advance payment, which is not allowed under the grants. The federal government lost \$821 in interest from the advance payment.

The Department's wildlife restoration program grant (Grant W-1-R-13) included work under a \$32,000 memorandum of understanding (MOU) between the Department and the University. Under the MOU, the University was to study the movement patterns and habitat usage of the Mariana fruit bat. The University submitted an invoice to the Department for the full \$32,000 on February 10, 2005. The Department approved the invoice on February 25, 2005, and entered the

transaction into the financial accounting system on March 10, 2005. The Department of Administration (Administration) drew down the \$32,000 from FWS on March 15, 2005, and issued a \$32,000 check to the University on March 18, 2005.

Guam received this reimbursement under Grant W-1-R-13 without any monthly or quarterly financial reports or other cost data showing that the University had incurred costs under the MOU. Subsequently, the University discontinued work under the MOU and refunded \$22,514 back to the Department on November 29, 2005.

The Code of Federal Regulations (50 C.F.R. §§ 80.15(a) and 80.16) states that grantees must support all costs with source documents or other records that allow them to substantiate the application of funds. These regulations also allow payments only for the federal share of allowable costs *incurred* in accomplishing approved projects. In addition, 31 C.F.R. § 205.15(a) states that an interest liability to the federal government occurs if federal funds are in a State account prior to the day the funds are used for program purposes.

Agency officials were unaware that the \$32,000 invoice shown in the financial accounting system represented an advance to the University and that the regulations require costs to be incurred before they make drawdowns.

Based on the Treasury short-term borrowing rates applicable to the period of the drawdown, we estimated that the improper advance of funds resulted in the federal government losing interest of about \$821. Accordingly, we are questioning this amount.

Department officials believed that some work under the MOU may have been performed between October 1, 2004, and March 2005 and that our interest calculations should be revised to reflect this fact. However, we could not determine what, if any, work was done because the University did not provide any financial reports. Further, University correspondence dated March 2, 2005, discussed the fact that funds still remained from 2004 that they wanted to transfer into different accounts before using the 2005 funds.

## **Recommendations**

We recommend that FWS require the Department to:

1. either repay the \$821 of interest lost by the federal government due to the improper advance or reduce the current years grant reimbursement by \$821, and
2. develop policies and implement procedures to ensure drawdowns are made only when supported by documentation of the costs incurred and to prevent advance payments for services to be provided in the future.

### **Department Response**

Department officials concurred with the recommendations. They indicated that they are developing procedures to ensure that when they use Federal Assistance Program funding to pay for work performed under MOUs with outside organizations, the payments will be made on a reimbursement basis only. They also indicated they would require additional justification and support for the payments requested. The response did not address the \$821 lost interest.

### **FWS Response**

FWS regional officials concurred with the recommendation and stated that they will address any outstanding issues in the corrective action plan.

### **OIG Comments**

While FWS concurred with the recommendations and Department officials indicated they are taking action to address the recommendations, additional information is needed in the corrective action plan. The plan should include:

- the specific actions taken or planned to resolve the \$821 in lost interest,
- targeted completion dates,
- titles of officials responsible for implementing the actions taken or planned to resolve and implement the recommendation, and
- verification that FWS officials reviewed and approved of actions taken or planned by the Department.

## **2. Excessive Drawdowns of Federal Funds — Questioned \$452**

Guam's drawdowns exceeded the amounts shown in its financial accounting system on two Federal Assistance Program grants. These grants included Grant FW-3-C-12 for fish and wildlife coordination and Grant F-9-D-6 for the maintenance and redeployment of fish aggravation devices and shallow water mooring buoys.

Under Grant FW-3-C-12, the Department drew down and claimed costs totaling \$136,251. The financial accounting system showed actual grant costs of only \$135,799, a difference of \$452. Under Grant F-9-D-6, FWS records showed that the Department made drawdowns totaling \$72,715. The financial accounting system showed actual grant costs of only \$72,267, a difference of \$448. Thus, the Department received reimbursement for \$900 (\$452 + \$448) more than its actual costs.



Under 43 C.F.R. § 12.60, grantees must maintain adequate fiscal and accounting controls to ensure that financial reports are accurate and that accounting records contain sufficient information relating to grant expenditures. In addition, the FWS Service Manual (522 FW 1.10) requires that drawdowns be based on incurred costs and be adequately supported.

Department and Administration employees are responsible for preparing the financial status reports (SF-269s) and for comparing the amounts shown on the SF-269s with the costs shown in the financial accounting system to ensure accuracy. We believe that the differences in the two grants were due to the fact that accounting adjustments were made after the SF-269s were submitted to FWS.

Department officials submitted a revised SF-269 for Grant F-9-D-6 which now agrees with FWS records. Accordingly, we are no longer questioning the \$448 difference. Department officials also agreed that they drew down more than they should have for Grant FW-3-C-12. Accordingly, we have questioned the \$452 difference. FWS officials have approved the Department's request to reduce the current years grant reimbursement by \$452 to correct for this error.

### **Recommendations**

We recommend that FWS require the Department to:

1. either repay the \$452 that was drawn down in excess of actual costs under Grant FW-3-C-12 or reduce the current years grant reimbursement by \$452; and
2. establish fiscal and accounting controls to ensure that (a) accurate financial reports are submitted to FWS, (b) accounting adjustments made after the SF-269s are submitted are reported to FWS if the adjustments affect grant expenditures, and (c) drawdowns of Federal Assistance Program grant funds are limited to incurred costs.

### **Department Response**

The Department concurred with the recommendations.

### **FWS Response**

FWS regional officials concurred with the recommendations and stated that they will address any outstanding issues in the corrective action plan.

### **OIG Comments**

While FWS concurred with the recommendations and Department officials indicated they are taking action to address the recommendations, additional information is needed in the corrective action plan. The plan should include:

- targeted completion dates,
- titles of officials responsible for implementation, and
- verification that FWS officials reviewed and approved of actions taken or planned by the Department.

## **B. Inadequate Equipment Controls**

Guam did not adequately account for and control fixed assets (equipment) purchased with Federal Assistance Program grant funds and hunting license revenues. The Department's Division conducts annual inventories and maintains a master equipment list for its equipment items. We found that the master equipment list did not always contain information on the acquisition date, the cost, the location, and/or the funding source for all of the equipment items. In addition, we physically inspected 12 equipment items<sup>3</sup> (costing \$134,365) that were purchased in FYs 2005 and 2006 and found that none of the items purchased had property identification labels.

Complete and accurate records are essential for managing equipment effectively. Under 50 C.F.R. § 80.18 and the FWS Service Manual (522 FW 1.16), each State is responsible for the accountability and control of all assets to assure that they are used for the purpose for which they were acquired throughout their useful life. Also, 50 C.F.R. § 80.19 requires each State to maintain current and complete property records. Finally, 43 C.F.R. § 12.72 requires each State to follow their own laws and procedures when managing equipment.

Administration is the agency responsible for conducting certain control activities, including reviewing the physical inventories conducted by the various Guam agencies and maintaining the official fixed asset records for all Guam agencies. Their fixed assets inventory procedures require a physical inventory be performed every two years; that the results of the agency inventories be crosschecked with Administration's fixed asset records; and that any discrepancies between the inventories and the fixed asset records be reconciled.

Both the FYs 2005 and 2006 Single Audit reports stated that the inventories were not conducted because Guam was in the process of implementing its fixed asset management system and that efforts were first being made to tag all of the equipment with bar code property identification labels. Administration officials told us that they have prepared a schedule to meet with the agencies and perform the inventory control checks.

Guam's failure to conduct the required periodic inventories and to keep accurate records hinders the Department's ability to safeguard and account for its equipment. As a result, the Department cannot ensure that equipment items purchased with Federal Assistance Program grant funds were being used for the purposes for which they were originally

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<sup>3</sup> The 12 equipment items we inspected included six computers, two office partition and furniture purchases, two trucks, and two copiers.

acquired. Nor can it assure that any equipment items purchased with hunting license revenues were being used for fish and wildlife related purposes. In addition, inadequate controls over equipment place the Department at greater risk of losing equipment or being unable to locate it.

Subsequent to our audit fieldwork, the Division's Administrative Officer told us that they are considering options such as bar code readers to facilitate the labeling and to simplify the equipment inventories. He also told us that they hope to have the new equipment in place within the next year.

### **Recommendations**

We recommend that FWS require the Department to:

1. implement equipment controls, including attaching property identification labels to all of the equipment items; continuing to conduct the periodic physical inventories; and, as required under current inventory procedures, reconciling the results of the periodic physical inventories to official fixed asset records; and
2. update its master equipment list to include the source of funding, acquisition date, cost, and location for all of the equipment items.

### **Department Response**

Department officials did not specifically state whether they agree or disagree with the recommendations. They did indicate they are taking actions to address the recommendations, including developing an inventory system and procedures to properly account for all equipment. Through development of the system, they hope to facilitate the tagging of equipment. They anticipate completing the system by the summer of 2008.

### **FWS Response**

FWS regional officials concurred with the recommendation and stated that they will address any outstanding issues in the corrective action plan.

### **OIG Comments**

While FWS concurred with the recommendations and Department officials indicated they are taking action to address the recommendations, additional information is needed in the corrective action plan. The plan should include:

- targeted completion dates,
- titles of officials responsible for implementation, and
- verification that FWS officials reviewed and approved of actions taken or planned by the Department.

### **C. Potential Improper Use of Hunting License Fee Revenues**

The Department sells hunting licenses and collected license fee revenues of \$24,270 and \$22,635 for FYs 2005 and 2006, respectively. However, the Department could not demonstrate that it spent the license fee revenue solely on fish and wildlife program activities, as required.

Under 50 C.F.R. § 80.4, revenues from license fees paid by hunters and anglers must be used only for the administration of the State fish and wildlife agency. A diversion of license fee revenues occurs when any portion of the license revenues is used for any purpose other than the administration of the fish and wildlife agency. If a diversion occurs, the State becomes ineligible to participate from the date the diversion is declared by the FWS Director until the license revenues diverted are restored or an amount equal to the license revenue diverted is returned and available for use for the administration of the fish and wildlife agency.

The Department deposits revenues from the sale of hunting licenses, deer tags, and special hunts (license fees) into the Wildlife Conservation Fund (Fund). The Department also deposits revenues from other sources, such as fees charged for permits to import commercial seafood and tropical fish, into the Fund.

Total revenues deposited to the Fund in FYs 2005 and 2006 were \$33,860 and \$30,506, respectively. The Department can identify the amount of license fee revenues deposited into the Fund because it records such revenues in separate accounts. However, the Fund does not include similar accounts for license fee expenditures. Rather, all expenditures are tracked in the accounting system as expenditures paid for with Fund monies, with no differentiation between expenditures paid for with license fee revenues and those paid for with monies collected from other sources.

The Department expended \$15,173 in FY2005 and \$34,312 in FY2006 from the Fund. A limited review of the Fund expenditures indicated that monies were spent for such items as signs (\$13,330), fuel (\$10,903), a boat trailer (\$6,468), repairs of a jet ski and trailer (\$3,549), a laptop computer (\$2,798), supplies (\$2,550), and an air-conditioning unit (\$2,491). We were unable to readily determine whether these expenditures were for fish and wildlife program activities. The use of hunting license fee revenues for non-fish and wildlife program purposes would place the Department in a potential diversion situation.

Department officials told us that the Division Chief has programmatic oversight of the Fund. Officials stated that spending plans are developed each year and that past Fund expenditures have also included the purchase of vehicles for law enforcement, signs and range markers for marine protected areas, gasoline and vehicle maintenance for law enforcement, fisheries and wildlife educational materials, building repairs, and a backup generator.

## **Recommendations**

We recommend that FWS require the Department to:

1. certify that the FYs 2005 and 2006 license fee revenues were used only for eligible fish and wildlife program activities; and
2. develop policies and procedures that will ensure that license fee revenues collected subsequent to FY2006 are used only for eligible fish and wildlife program activities, such as establishing a separate account within the Fund to track the expenditures of license fee revenues.

## **Department Response**

Department did not specifically state whether they agreed or disagreed with the recommendations. They did state that Guam law requires written approval by the Director of Agriculture and the Chief of the Division of Aquatic and Wildlife Resources for all expenditures from the Fund. They believe these signatures attest to the appropriateness of each expenditure.

## **FWS Response**

FWS regional officials concurred with the recommendations and stated that they will address any outstanding issues in the corrective action plan.

## **OIG Comments**

While FWS concurred with the recommendations, additional information is needed in the corrective action plan. The plan should include:

- specific actions planned or taken to address the recommendations,
- targeted completion dates,
- titles of officials responsible for implementation, and
- verification that FWS officials reviewed and approved of actions taken or planned by the Department.

## Appendix 1

**GUAM DEPARTMENT OF AGRICULTURE  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
OCTOBER 1, 2004, THROUGH SEPTEMBER 30, 2006**

<b>Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>	<b>Questioned Costs (Federal Share)</b>	
			<b>Cost Exceptions</b>	<b>Total</b>
F-1-R-13	\$556,612	\$370,287		
F-1-R-14	874,150	418,272		
F-6-B-5	453,419	31,378		
F-8-D-4	208,786	118,660		
F-9-D-5	146,044	55,708		
F-9-D-6	92,609	72,267		
F-10-D-1	124,536	1,173		
F-11-D-1	381,043	1,222		
FW-3-C-12	282,000	136,251	\$452	\$452
FW-3-C-13	287,576	156,102		
FW-3-C-14	220,000	94,612		
W-1-R-13	336,200	173,947	821	821
W-1-R-14	270,000	179,013		
<b>Total</b>	<b>\$4,232,975</b>	<b>\$1,808,892</b>	<b>\$1,273</b>	<b>\$1,273</b>

## Appendix 2

### GUAM DEPARTMENT OF AGRICULTURE STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.1.1, A.1.2, A.2.1, A.2.2, B.1, B.2, C.1, and C.2	FWS management concurs with the recommendations, but additional information is needed as outlined in the "Actions required" column.	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 State. We will refer recommendations not resolved and/or implemented at the end of 90 days (after May 14, 2008) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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