



**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 New Hampshire  
Fish and Game Department From  
July 1, 2004, Through June 30, 2006**

**Report No. R-GR-FWS-0016-2007**

**March 2008**



# DEPARTMENT OF THE INTERIOR

## OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

March 20, 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 State of New Hampshire Fish and Game Department From  
July 1, 2004, Through June 30, 2006 (No. R-GR-FWS-0016-2007)

This report presents the results of our audit of costs incurred by the State of New Hampshire (State), Fish and Game Department (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). 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 \$14 million on 32 grants that were open during State fiscal years (SFYs) ended June 30 of 2005 and 2006 (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 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 found that the Department lacked adequate asset legislation, had inadequate controls over its real property, did not report barter transactions on its financial status reports, and had not implemented an accounting system for Federal Assistance Program grants that is capable of being reconciled to the State's new system.

We provided a draft report to FWS and the Department for a response. We summarized the Department and FWS Region 5 responses after each recommendation, as well as our comments on the responses. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by June 18, 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 audit team leader, Mr. Chris Krasowski, or 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)<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 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. 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 approximately \$14 million on the 32 grants that were open during SFYs 2005 and 2006 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Concord, NH, and visited three fish hatcheries, three boat access areas, two wildlife management areas, and one hunter education training center (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendment of 1996 and by 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

---

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

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 inspect 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 the State passed required legislation assenting to the provisions of the Acts.

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 recorded 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 31, 2005, we issued “U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of New Hampshire, Fish and Game Department, from July 1, 2001, through June 30, 2003 (Report No. R-GR-FWS-0009-2004).” We followed up on all recommendations in the report and found that the Department of Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considers three recommendations resolved but unimplemented. Two of the recommendations relate to unsupported charges for media equipment. One recommendation relates to the Department’s inability to reconcile information in its accounting system with information in the State’s system. We repeat the one prior audit recommendation on the reconciliation of information in the accounting systems.

We reviewed New Hampshire's Comprehensive Annual Financial Reports and Single Audit Reports for the SFYs ended June 30, 2005 and 2006. None of these reports contained any findings that would directly impact the Department's Federal Assistance Program grants or programs under the grants. In addition, the Department's Sport Fish Restoration and Wildlife Restoration Programs were not selected for compliance testing in either the SFYs 2005 or 2006 Single Audits.

---

---

## 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 identified several conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

**Inadequate Assent Legislation.** The Department did not assent to the provisions in the Pittman-Robertson Wildlife Restoration Act, as required.

**Unreported Barter Transactions.** The Department should have but did not report barter transactions that occurred on lands managed with Federal Assistance Program funds.

**Inadequate Controls Over Real Property.** The Department did not maintain a comprehensive inventory of real property that identified the source of funding for the purchases of the property. It therefore may not be able to ensure control over lands purchased with Federal Assistance Program grant funds or license revenue.

**No Reconciliation of Department and State Accounting Systems.** The Department had not implemented a prior recommendation to reconcile information in its accounting system for Federal Assistance Program grants with information in the State's new system.

### Findings and Recommendations

#### A. Inadequate Assent Legislation

The Code of Federal Regulations (50 C.F.R. § 80.3) requires States to pass legislation assenting to the provisions in the Acts before the State can participate in the Federal Assistance Program. During the grant period open between July 1, 2004, and June 30, 2006, the Department received approximately \$3.4 million in wildlife restoration grant funds without having the required assent legislation in place.

The State passed legislation that assents to the provisions of the Dingell-Johnson Sport Fish Restoration Act but not to the Pittman-Robertson Wildlife Restoration Act. Department officials were not aware that the current assent legislation for fish restoration did not include wildlife restoration. As a result of not passing adequate assent legislation, the State could be ineligible to participate in the grant program, which could result in a loss of an estimated \$3.4 million in grant funding.

## **Recommendation**

We recommend that FWS require the Department to work with the State legislature to pass legislation that assents to the Pitman-Robertson Wildlife Restoration Act.

## **Department Response**

Department officials concurred with the recommendation. They acknowledged that no State law exists which specifically references and assents to the provisions of the "Pittman-Robertson Wildlife Restoration Act" (16 USC Sec. 669, as amended). The Department will take steps to correct this during the next legislative session.

## **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 recommendation and Department officials indicated they are taking action to address it, additional information is needed in the corrective action plan. The plan should include:

- the specific actions taken or planned to revise their assent legislation,
- targeted completion dates,
- titles of officials responsible for implementing the actions taken or planned, and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

## **B. Unreported Barter Transactions**

Federal regulations (43 C.F.R. § 12.65) define program income as gross income received by the grantee that is directly generated by a grant supported activity or earned only as a result of the grant agreement during the grant period. The Department earned program income through approximately 12 barter agreements it enters into each year on its Wildlife Management Areas (WMAs). The barter agreements allow farmers to lease 20 to 50 acre parcels of land on the WMAs in exchange for leaving crops or providing other services to improve and maintain wildlife habitat for a variety of species. Federal Assistance Program Grant W-11-D provides funding for wildlife habitat activities on these WMAs. The barter services are therefore directly related to grant-supported activities, and the value of the services is program income. Although federal regulations require grantees to account for such income in an approved manner, Department officials

did not report these transactions or associated program income to FWS on the financial status reports (SF-269s).<sup>2</sup>

Department officials did not report the value of the services that earned program income in part because they did not determine the value of those services. In addition, some of the agreements have been in place for long periods of time and no written documentation exists on what services are to be performed. These agreements are verbal only.

The federal regulations applicable to program income (43 C.F.R. § 12.65) require a grantee to deduct program income from the original total allowable expenditures to determine net allowable expenditures, unless the grantee receives approval to use an alternative method. The Department may therefore have been reimbursed in excess of the allowable federal share of grant expenditures. In addition, the use of verbal agreements—and lack of written documentation—on the services performed make it difficult to determine their value and benefit.

### **Recommendations**

We recommend that FWS:

1. resolve the unreported program income from barter services for FYs 2005 and 2006;
2. ensure that the Department reports barter services on the SF-269s and treats the value of those services in accordance with the grant agreement, regulations, and FWS guidelines; and
3. require that the Department use written agreements to document what services are to be provided for the benefit of wildlife habitat.

### **Department Response**

Department officials did not understand why it was necessary to document barter agreements on financial status reports. The Department will take steps to use written agreements in the future and report this information, as required, pending further guidance from Fish and Wildlife Service.

### **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**

We note that on February 20, 2008, subsequent to the issuance of our draft report and the development of the State's response to the draft, FWS issued an amendment to its Federal

---

<sup>2</sup> The SF-269s summarize grant income and expenditures for the FWS.



Assistance Program guidance that states that they will not require States to report cooperative farming and grazing arrangements as program income when the “grantee allows an agricultural producer to farm or graze livestock on part of the grantee’s land” and the farming or grazing activities “advance their [the grantees] fish or wildlife management objectives” (522 FW 19, Exhibit 1). However, it is not clear from this amendment whether services other than the farming or grazing activities should be treated as program income. We also note the State must follow its own regulations regarding barter transactions.

We have not modified the finding in this report because it will be an FWS management decision as to whether the value of any of the services received under the particular barter arrangements in the State should be reported to FWS and/or treated as program income.

While FWS concurred with the recommendations, and the Department indicated they will take steps to address them, additional information is needed in the corrective action plan. The plan should include:

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

### **C. Inadequate Controls Over Real Property**

Federal regulations require States to maintain control over land purchased with Federal Assistance Program funds and license revenue. To help maintain control over the use of its land, the Department’s Land Resources Bureau uses a database to maintain its land records. The Department’s land records are not adequate to assure effective control over lands acquired with Federal Assistance Program grant funds and with license revenues.

Under 50 C.F.R. § 80.19, each State must maintain current and complete property records in accordance with the requirements contained in the FWS Manual and 2 C.F.R. § 235. In addition, 50 C.F.R. § 80.18 and the FWS Manual (522 FW 1.16) require each State to be responsible for the accountability and control of all assets acquired with Federal Assistance Program grant funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Finally, 50 C.F.R. § 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

The Department’s database lacked information on the source of funding for land purchases. Department personnel must therefore examine each individual land case file to determine the origin of funding. Additionally, the information contained in the

Department's database on acreage and cost of properties may not be accurate. We were able to identify some Department properties purchased with Federal Assistance Program grants because the FWS maintains its own list of such lands. We selectively compared information on the acreage and cost of properties in the Department's database with information in the FWS-maintained list. We found that 85 out of 111 matched properties had conflicting information regarding acreage and/or cost. The Department's land official stated that the Department has not reconciled records in its database with FWS land records to determine the accuracy and completeness of the Department's records.

Accordingly, the Department cannot ensure that such lands are being used for their intended purposes.

### **Recommendations**

We recommend that FWS require the Department to:

1. identify the source of funding for its land purchases in the Department's databases and
2. reconcile its land records with FWS land records.

### **Department Response**

Department officials concurred with the recommendations and are currently reevaluating the Department's land control and management needs. The officials plan to seek the resources necessary to develop a comprehensive State lands database that will identify the source of funding. Department officials will also take action to reconcile the Department's land records with FWS land records.

### **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 them, additional information is needed in the corrective action plan. In addition to the specific actions planned or taken, the plan should include:

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

#### **D. No Reconciliation of Department and State Accounting Systems**

We previously reported that the Department did not have the ability to reconcile information in its Federal Aid Accounting System (FAAS) with information in the New Hampshire Integrated Financial System (NHIFS). During the prior audit period, the Department used a vendor-produced software program that it had modified to facilitate Federal Assistance Program accounting and reporting. This FAAS operated as a stand-alone system that did not interface with NHIFS. Currently, the Department uses an Excel spreadsheet for charging salaries and fringe benefits to the grants and QuickBooks for tracking other direct costs. As with the software programs used during the prior audit, these programs do not interface with NHIFS and the Department cannot reconcile its records to the State. The Department is in the process of implementing a new financial management system (Enterprise Resources Planning) which it plans to make operational in SFY2009.

Federal regulations (43 C.F.R. § 12.60 Standards for financial management systems (a)(2)) require each State's accounting procedures to allow for sufficient preparation of grant reports and for the tracing of funds to a level of expenditure adequate to demonstrate compliance with grant provisions. Additionally, 2 C.F.R. § 225 (OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) specifies that allowable costs under federal awards must be necessary and reasonable, be allocable and authorized, and be adequately documented.

The State's accounting system is unable to provide the detail required for grant reporting purposes. To control and account for Federal Assistance Program funding, the Department has developed written policies and procedures to describe the accounting processes used for recording costs (salaries and fringe benefits in an Excel spreadsheet and other direct costs in QuickBooks). However, the process is dependent on a manual operation that one person controls. Additionally, the State and Department may record the same individual expenses as different expenses in each respective system.

Without the ability to reconcile the two systems, the Department cannot assure that it is not claiming duplicate costs. As a result, internal control over the recording and billing of Federal Assistance Program grant funds is weak and the FWS has no assurance that program funds reimbursed to the Department were for allowable expenses under the grants. Therefore, as reported in the Office of Legislative Budget Assistant's report ("State of New Hampshire Fish and Game Fund, Financial and Compliance Audit Report for the Fiscal Year Ended June 30, 2003"), the inability to reconcile the Department and State accounting systems is a material weakness in properly accounting for Federal Assistance Program grant costs. We are therefore repeating the recommendation from our prior audit report. The implementation of this recommendation will be tracked under the tracking process for the prior audit, and any documentation pertaining to it should therefore be submitted to PMB.

### **Repeat Recommendation**

We recommend that FWS monitor the implementation of the new statewide financial accounting system and ensure that the Department implements an accounting system for Federal Assistance Program grants that is capable of being reconciled to the State's new system, including the reconciliation of labor costs on Federal Assistance Program grants (Recommendation B in report R-GR-FWS-0009-2004).

### **Department Response**

Department officials concurred that they currently do not have the ability to adequately reconcile information in the accounting system they use to account for Federal Assistance Program grant funds with information in the State's accounting system. However, while they rely heavily on a manual system, they believe they have adequate steps to ensure that they charge personnel post costs to the appropriate grant and that the Department receives reimbursement for only allowable expenses under the Federal Assistance Program grants. Additionally, the State's Enterprise Resource Planning (ERP) system is scheduled to be phased-in on July 1, 2008. The Department expects that the full implementation of the ERP system within a few years will eliminate the need for a separate accounting system for Federal Assistance Program grants.

### **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**

The implementation of this recommendation will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of this recommendation to PMB.

## Appendix 1

**NEW HAMPSHIRE FISH AND GAME DEPARTMENT  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JULY 1, 2004 THROUGH JUNE 30, 2006**

<b>GRANT NUMBER</b>	<b>GRANT AMOUNT</b>	<b>CLAIMED COSTS</b>
F-50-R-21	\$601,336	\$628,595
F-50-R-22	\$752,000	\$826,505
F-53-E-18	\$468,332	\$245,964
F-53-E-19	\$344,000	\$232,852
F-60-D-12	\$1,922,500	\$2,407,641
F-60-D-13	\$2,131,000	\$2,588,001
F-61-R-11	\$292,000	\$295,847
F-61-R-12	\$336,000	\$328,248
F-61-R-13	\$788,000	\$410,903
F-100-R-21	\$5,000	\$5,000
F-100-R-22	\$5,000	\$5,000
F-100-R-23	\$5,000	\$5,000
FW-17-C-30	\$78,208	\$81,263
FW-17-C-31	\$90,000	\$82,213
FW-23-D-15	\$72,000	\$86,941
FW-23-D-16	\$108,000	\$90,239
FW-25-T-11	\$288,000	\$244,869
FW-25-T-12	\$280,000	\$250,372
FW-27-D-15	\$197,000	\$150,875
FW-28-D-10	\$313,000	\$235,458
FW-28-D-11	\$360,000	\$351,867
FW-29-O-8	\$218,400	\$117,862
FW-30-T-6	\$110,624	\$103,657
FW-30-T-7	\$133,000	\$144,943
W-11-D-64	\$264,000	\$204,000
W-11-D-65	\$302,800	\$208,735
W-66-S-32	\$478,667	\$475,861
W-66-S-33	\$518,667	\$576,351
W-66-S-34	\$548,000	\$633,312
W-87-D-2	\$781,683	\$791,569
W-89-R-5	\$612,000	\$661,834
W-89-R-6	\$600,000	\$586,824
<b>TOTAL</b>	<b>\$14,004,217</b>	<b>\$14,058,601</b>

## Appendix 2

### NEW HAMPSHIRE FISH AND GAME DEPARTMENT SITES VISITED

#### **Headquarters**

Concord, New Hampshire

#### **Boat Access Areas**

Hot Hole Pond  
Sewalls Falls  
Squam Lake

#### **Fish Hatcheries**

Milford Fish Hatchery  
New Hampton Hatchery  
Warren Hatchery

#### **Owl Brook Hunter Education Center**

#### **Wildlife Management Areas**

Hirst  
Hoit Road Marsh

## Appendix 3

### NEW HAMPSHIRE FISH AND GAME DEPARTMENT STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.,B.1, B.2, B.3, 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 headquarters 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 June 18, 2008) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
D	Repeat Recommendation B from our prior report (R-GR-FWS-0009-2004). PMB considers this recommendation resolved but not implemented.	Provide documentation regarding the implementation of this recommendation to PMB.

## **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.



---

### **By Mail:**

U.S. Department of the Interior  
Office of Inspector General  
Mail Stop 5341 MIB  
1849 C Street, NW  
Washington, D.C. 20240

### **By Phone**

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

### **By Fax**

703-487-5402

### **By Internet**

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