



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

# **AUDIT REPORT**

**U.S. Fish and Wildlife Service  
Wildlife and Sport Fish Restoration  
Program Grants Awarded to  
the State of Alaska, Department of Fish and Game,  
from July 1, 2004 Through June 30, 2006**

**Report No. R-GR-FWS-0007-2007**

**June 2008**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230

Reston, VA 20191

June 23, 2008

### AUDIT REPORT

#### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Christina M. Bruner *Christina M. Bruner*  
Regional Manager, Eastern Region

Subject: Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Alaska, Department of Fish and Game, from July 1, 2004 Through June 30, 2006 (No. R-GR-FWS-0007-2007)

This report presents the results of our audit of costs incurred by the State of Alaska (State), Department of Fish and Game (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$71.8 million on 56 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 questioned costs totaling \$61,677 for out-of-period expenses.

We provided a Notification of Potential Finding and Recommendation on the questioned costs to FWS and the Department for a response. In their responses, FWS and the Department concurred with the recommendations and the Department took action to implement them. We summarize the Department and FWS Region 7 responses and the actions taken by the Department. We determined that the actions taken were sufficient to classify the recommendations as resolved and implemented. No other response to this audit report is necessary. We list the status of each recommendation in Appendix 3.

If you have any questions regarding this report, please contact the audit team leader, Mr. Tim Horsma, or me at 703-487-5345.

cc: Regional Director, Region 7, 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 Wildlife and Sport Fish Restoration Program. Under the 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 the 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 \$71.8 million on the 56 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 Juneau, AK, and visited four area offices and six boating access sites (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 conclusions based on our audit objectives. We tested records and conducted auditing procedures

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

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 Departmental 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 administration of the Department; 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 July 9, 2004, we issued “Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Alaska, Department of Fish and Game, from July 1, 2000 through June 30, 2002” (R-GR-FWS-0017-2003). 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 considered them to be resolved and implemented.

We reviewed the State of Alaska’s Single Audit Reports for SFYs 2005 and 2006, which were issued by the State’s Division of Legislative Audit. The FWS Wildlife and Sport Fish Restoration Program was audited as a major program in SFY2006 but not in SFY2005. The audits did not contain findings related to the Department’s administration of the Program.

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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. However, we identified questioned costs totaling \$61,677 (federal share). We discuss this finding in more detail below.

### Finding and Recommendations

#### A. Questioned Costs — \$61,677

The Department improperly charged \$82,235 ( $\$82,235 \times 75 \text{ percent} = \$61,677$  federal share) to Grant F-32-14, which was for sport fisheries enhancement and development. These costs were incurred prior to the start of the grant period, which began July 1, 2004 and were related to the construction of a fish hatchery in Region 3 (Fairbanks).

Under 43 C.F.R. § 12.63(a), grantees may only charge a grant for costs that were obligated during the grant period, when the grant specifies a funding period.

According to Department officials, the error was an oversight attributable to staff transition during this period. As a result of the out-of-period charges, the costs charged to Grant F-32-14 were overstated and the costs charged to the prior grant with the same objectives (F-32-13) were understated.

#### Recommendations

We recommend that FWS:

1. resolve the \$61,677 of questioned costs charged to Grant F-32-14 and
2. require the Department to ensure that grant costs claimed are limited to costs incurred within the grant period.

#### Department Response

Department officials concurred with the recommendations. They addressed the questioned costs by offsetting them with indirect costs that they incurred under the grants but did not claim or receive reimbursement for. Officials also stated that although they believe that the controls currently in place generally ensure that charges are correctly recorded, they acknowledge that errors occasionally do occur. They issued a policy memorandum on the subject and will make every effort to adequately train staff and strengthen and improve controls to prevent and detect errors such as out-of-period costs.

**FWS Response**

FWS regional and headquarters officials concurred with the recommendations and agreed to the actions taken by the Department to resolve and implement both recommendations.

**OIG Comments**

Based on the FWS and Departments' responses and the actions taken, we consider the recommendations to be resolved and implemented.

**STATE OF ALASKA  
DEPARTMENT OF FISH AND GAME  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
FROM JULY 1, 2004 THROUGH JUNE 30, 2006**

			<b>Questioned Costs (Federal Share)</b>	
<b>Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>	<b>Cost Exceptions</b>	<b>Total</b>
F-10-20	\$13,995,885	\$13,231,034		
F-10-21	14,410,755	14,396,837		
F-13-C-14	470,571	385,325		
F-13-C-15	381,500	323,742		
F-13-D-54	705,000	479,600		
F-13-D-56	670,000	668,644		
F-13-D-58	200,000	178,497		
F-13-D-59	200,000	174,912		
F-13-D-80	2,800,000	1,986,970		
F-13-D-93	90,000	15,951		
F-13-D-94	150,000	138,666		
F-13-D-97	150,000	32,316		
F-13-D-99	40,000	12,494		
F-13-D-102	40,000	0		
F-13-D-103	60,000	39,421		
F-13-D-104	150,000	150,000		
F-13-D-105	100,000	0		
F-13-D-106	900,000	834,930		
F-13-D-107	450,000	450,000		
F-13-D-108	21,000	21,000		
F-13-D-109	425,650	349,582		
F-13-D-110	2,112,000	84,431		
F-13-D-111	120,000	119,129		
F-13-D-112	1,800,000	422,177		
F-13-D-113	150,000	29,566		
F-13-D-114	15,000	15,000		
F-13-D-115	200,000	3,770		
F-13-D-116	165,000	62,159		

**STATE OF ALASKA**  
**DEPARTMENT OF FISH AND GAME**  
**FINANCIAL SUMMARY OF REVIEW COVERAGE**  
**FROM JULY 1, 2004 THROUGH JUNE 30, 2006**

			<b>Questioned Costs (Federal Share)</b>	
<b>Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>	<b>Cost Exceptions</b>	<b>Total</b>
F-13-D-117	68,000	2,156		
F-13-D-118	800,000	0		
F-13-D-119	50,000	20,893		
F-13-D-120	250,000	0		
F-13-D-121	10,000	10,000		
F-13-D-122	80,000	30,500		
F-13-D-123	100,000	82,316		
F-13-D-124	100,000	0		
F-13-L-29	200,000	191,067		
F-13-L-30	80,000	66,000		
F-13-L-31	75,000	6,250		
F-13-L-32	353,375	9,690		
F-13-M-34	368,762	353,785		
F-13-M-35	241,642	241,642		
F-13-M-36	419,300	410,190		
F-13-M-37	287,400	257,996		
F-31-16	721,955	721,955		
F-31-17	760,791	726,863		
F-32-14	3,566,905	3,495,182	\$61,677	\$61,677
F-32-15	3,811,103	3,712,973		
F-39-D-1	0	0		
W-31-D-1	1,500,000	1,500,000		
W-32-E-4	106,700	105,500		
W-32-E-5	106,667	106,666		
W-33-3	12,054,161	12,052,706		
W-33-4	12,148,829	12,148,829		
W-34-E-2	405,040	405,040		
W-34-E-3	510,369	510,369		
<b>TOTALS</b>	<b>\$80,148,360</b>	<b>\$71,774,721</b>	<b>\$61,677</b>	<b>\$61,677</b>

**STATE OF ALASKA  
DEPARTMENT OF FISH AND GAME  
SITES VISITED**

**Headquarters**

Juneau, Alaska

**Area Offices**

Dillingham  
Homer  
King Salmon  
Kodiak

**Boating /Access Sites**

Anton Larsen Boat Launch  
Buskin River Coho Weir and Cabin  
Homer Harbor  
Lake Aleknagik  
Longmere Lake Boat Launch  
Pilliar Boat Launch

## Appendix 3

### ALASKA DEPARTMENT OF FISH AND GAME STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Actions Required
A.1 and A.2	FWS management concurs with the recommendations and provided documentation to support the resolution and implementation of these recommendations.	No additional action is required.

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