



**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  
New York, Department of Environmental Conservation,  
Division of Fish, Wildlife and Marine Resources,  
From April 1, 2005, Through March 31, 2007**

**Report No. R-GR-FWS-0015-2007**

**June 2008**



# United States Department of the Interior

**Office of Inspector General**  
12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

June 27, 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 the U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New York, Department of Environmental Conservation, Division of Fish, Wildlife and Marine Resources, From April 1, 2005, Through March 31, 2007 (No. R-GR-FWS-0015-2007)

This final report presents the results of our audit of costs incurred by the State of New York (State), Department of Environmental Conservation (Department), Division of Fish, Wildlife and Marine Resources (Division) 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 \$51 million on 20 grants that were open during State fiscal years (SFYs) ended March 31 of 2006 and 2007 (see Appendix 1). The audit also covered Division 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 Division complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$32,506 for excess reimbursements. We also identified unreported program income and significant weaknesses in internal controls over grant reporting and equipment management. Additionally, we found that Division land records had not been reconciled with FWS land records. Finally, we identified certain indirect costs that were incorrectly claimed.

We provided a draft of the report to FWS and the Division for response. The Department responded to the draft report for the Division. We summarized 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 September 25, 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, Lawrence Kopas, or me at 703-487-5345.

cc: Regional Director, Region 5, 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 Division:

- 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 \$51 million on the 20 grants that were open during SFYs 2006 and 2007 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Division Headquarters in Albany, NY, and visited one regional office, three regional sub-offices, one fish hatchery, one maintenance center, and one research 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 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 Division;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Division employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Division used hunting and fishing license revenues solely for administration of the Division; 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 Division operations.

## **Prior Audit Coverage**

On May 6, 2004, we issued our final audit report, “U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of New York, Department of Environmental Conservation, Division of Fish, Wildlife and Marine Resources, from April 1, 2000, through March 31, 2002” (No. R-GR-FWS-0025-2003). We followed up on all recommendations in the report and found that three recommendations have not been implemented and one has not been resolved. The three recommendations not implemented relate to questioned costs and indirect costs charged to the grants. FWS Region 5 provided us with documentation indicating these recommendations were implemented, but the documentation has not yet been received by the Department of Interior, Office of the Assistant Secretary for Policy, Management and Budget, which is tracking the implementation of these recommendations. The unresolved recommendation relates to the Division not adequately accounting for personal property acquired with Program funds. We discuss continuing and additional problems we found with the Department’s controls over personal property in the Findings and Recommendations section of this report.

We also note that reports by KPMG and the Department's internal audit staff contained findings on inadequate accounting for personal property (discussed as "capital assets" in KPMG's report). KPMG's report<sup>2</sup> stated that when capital assets were acquired or disposed of, they were not recorded or deleted from the Statewide Capital Asset Accounting System (SCAAS) database in a timely manner. Additionally, when agencies used SCAAS as their capital asset system, they lacked procedures to ensure the accuracy of information input into SCAAS on purchases, transfers, and deletions. When State agencies used a separate system to track capital assets, they lacked processes to reconcile information in their own systems with information in SCAAS. Finally, KPMG found that when State agencies conducted physical inventories to verify personal property, they did not document the procedures used, which personnel performed the inventories, what items were added or deleted from SCAAS, or whether any supervisory review was performed. A report by the Department's internal audit staff<sup>3</sup> contained a finding that the Division of Operations has not completed the annual physical verification and certification of formally controlled property since 1991.

We also reviewed the State of New York Single Audit Report for SFY2005. The Division's Wildlife and Sport Fish Restoration Program was not identified as a major program, and the report did not include any findings regarding Program funds. We also reviewed the State of New York Comprehensive Annual Reports for SFYs 2005 and 2006. The reports contained no reportable conditions that relate to the Division.

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<sup>2</sup> "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with Government Auditing Standards, For Year Ended March 31, 2006" for the State of New York.

<sup>3</sup> "Region 7 – Bureau of Wildlife, Equipment Purchases/Inventory," dated June 9, 2006.

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## Results of Audit

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### Audit Summary

We found that the Division 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, including questioned costs totaling \$32,506. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** The Division received excess reimbursements of \$32,506 because of inadequate controls over grant reporting.

**Unreported Program Income.** The Division earned revenue from oil and gas activities. This revenue was earned on land managed with grant funds, and should have been reported and treated as program income, but was not.

**Inadequate Internal Controls Over Grant Reporting.** The Division has significant internal control weaknesses over grant reporting.

**Inadequate Internal Controls Over Personal Property Management.** The Division and Department have significant weaknesses in their equipment management procedures and controls.

**No Real Property Reconciliation.** The Department's land records are not adequate to assure effective control over lands acquired with Program grant funds and with license revenues because the Department has not reconciled its records with those maintained by FWS.

**Indirect Costs Incorrectly Claimed.** We identified \$10,356 in indirect costs incorrectly charged to Program grants, which the Division addressed prior to the end of our audit.

### Findings and Recommendations

#### A. Questioned Costs — \$32,506

The Acts require States to pay for at least 25 percent of grant expenditures with non-federal funds, which are referred to as "State matching" funds. To meet this requirement on its Sportsman Education Program grants, the Division used the value of hours worked and reported by volunteer instructors. States may use such "in-kind" (noncash) contributions to meet the State matching requirement, but they may receive federal reimbursement only for cash outlays. The Division misreported its in-kind contributions as cash outlays and therefore inappropriately received reimbursement for a portion of the contributions.

The Code of Federal Regulations (50 C.F.R. § 80.19) allows for reimbursement of up to 75 percent of costs *incurred*. Section 80.12 permits the *non-federal share* of projects to be cash or in-kind contributions. Additionally, 50 C.F.R. § 80.16 (c) states that overpayments made to the State shall be recovered, as directed by the FWS Regional Director.

Grantees report grant income and expenditures on a standard financial status report form (SF-269). The reports have one box for third-party in-kind contributions and a separate box for total cash outlays (expenditures). However, for the affected grants, the value of in-kind contributions was included in the amount reported in the box for total cash outlays. A remarks box on the SF-269 stated that the outlays included the value of in-kind contributions. However, the personnel should have reported the value of the in-kind contributions separately (in Block 10e).

The State did not expend the full grant amount under Grant W-125-S-34. However, by adding the value of in-kind contributions to the total outlays, rather than reporting it separately, the State appeared to expend—and was reimbursed for—the full federal share of the grant. We questioned the \$32,506 in costs inappropriately claimed due to misreported in-kind contributions for Grant W-125-S-34. In addition, while the Division has not submitted the SF-269 for Grant W-125-S-35, we identified \$208,684 in necessary corrections due to misreported in-kind contributions. We are not questioning these costs because the final grant documents have not yet been submitted to FWS.

	Grant W-125-S-34	Grant W-125-S-35	Total
Federal Share (drawn/authorized)	\$1,318,337	\$1,388,328	
Total Outlays Reported	2,612,330	2,685,377	
Less:			
Value of Volunteer Instructors	1,326,499	1,505,733	
Cash Expenditures	\$1,285,831	\$1,179,644	
Difference	<b>\$32,506</b>	<b>\$208,684</b>	<b>\$241,190</b>

**Table 1. Expenditures Ineligible for Reimbursement**

## Recommendations

We recommend that FWS:

1. resolve the \$32,506 of questioned costs for grant W-125-S-34 and
2. require the Division to establish policies and implement procedures to ensure that the Division accounts for and reports in-kind contributions correctly and has sufficient cash expenditures to support the federal share reimbursement.

### **Department Response**

Department officials concurred with the recommendations. They submitted to FWS revised final financial status reports for W-125-S-34 and W-125-S-35. In addition, the Department updated the internal procedures to specify that all non-cash contributions be reported as third party contributions.

### **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

### **OIG Comments**

While FWS officials indicated they will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address the recommendations, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),
- title of official(s) 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 Program Income**

FWS guidance and federal regulations permit grantees to earn income from grant activities, but they must account for it in an approved manner. The Division earned \$20,537 in revenue from oil and gas activities on Canadaway Creek Wildlife Management Area (WMA). The Division used funds under Grants WE-173-G-16 and W-175-D-1 to manage the WMA. The income was therefore program income and should have been reported and treated as such, but was not.

Under 43 C.F.R. § 12.65, program income is “gross income received by a grantee that is generated by a grant supported activity,” and includes the sale of commodities in the definition. Part 12.65(g) requires program income to be deducted from total grant costs to determine the net costs on which the federal share is based, unless another method is approved. Under 50 C.F.R. § 80.14(c), income from activities incidental to the accomplishment of grant approved purposes shall be accounted for in the project records and disposed of as directed by the Director.

The Bureau of Wildlife, which is responsible for reporting program income, receives oil and gas lease payment information from the Division of Minerals Resources (Minerals

Resources). However, Minerals Resources personnel were initially unable to determine what Department-owned land generated the revenue. Therefore, the Bureau of Wildlife was unable to determine whether \$20,537 was program income under Grant WE-173-G-16 for SFY 2005 (\$11,529) and Grant W-175-D-1 for SFY 2006 (\$9,008).

Department officials subsequently determined the \$20,537 was program income. Unless FWS approves the use of an alternative method to account for the program income, the income should be deducted from allowable grant costs to determine net allowable costs. This treatment would reduce both the federal and State share of grant costs. The Department could therefore have been reimbursed more than it should have been under the grants.

Officials stated they will provide the information on the program income to the appropriate Wildlife Bureau officials so that the income is credited to the appropriate federal grant. Department officials also told us the Mineral Resources and wildlife bureaus will be implementing procedures to ensure oil and gas activity income is identified and reported as program income when appropriate.

### **Recommendations**

We recommend that FWS:

1. ensure Department officials provide to the appropriate Wildlife Bureau officials the income information so that the \$20,537 is credited to the appropriate federal grants and that they submit revised SF-269s;
2. based on information provided by the Department, determine the resultant effect on net allowable grant costs for the affected grants, and address any excess reimbursement the Department may have received; and
3. require the Division to develop policies and implement procedures to identify on which lands oil and gas lease revenues are generated so that the revenue can be accounted for appropriately.

### **Department Response**

Department officials concurred with the recommendations. They submitted a final financial status report for W-175-D-1 that identifies program income of \$20,537. In addition, officials indicated that the Bureau of Mineral Resources will provide an annual report to the Bureau of Wildlife detailing the revenue generated from each lease contract at the end of each SFY. Bureau of Wildlife personnel will review this report and identify those land tracts that have been either purchased with federal funds and/or managed using federal funds and will credit the income generated to the appropriate federal grant.

## **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

## **OIG Comments**

While FWS will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address the recommendations, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),
- title of official(s) 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.

### **C. Inadequate Grant Reporting Controls**

Federal regulations require grantees to file SF-269 reports 90 days after the grant period ends. These reports summarize grant income and expenditures and are an important internal control to help ensure financial accountability. The Division has significant weaknesses in its controls over grant reporting, with a history of submitting SF-269s late and with errors. Late and inaccurate reporting can impact the financial accountability of closed and on-going grants, in particular because the Division requested reimbursement for the federal share of the grants (performed drawdowns) only once for each grant.

Under 43 C.F.R. § 12.952, final SF-269s are due 90 days after the end of the grant period. Extensions to this deadline may be made only when requested by the grantee and approved by the grantor. Additionally, the U.S. Department of the Interior's "Policy Regarding Financial Status Reporting Requirements Related to Grants" (As Amended, May 2004), section 6.C, Financial Status Reporting Frequency, allows bureaus to impose additional requirements on grantees that have a history of poor performance. Any special conditions shall be removed once performance improves.

The Division requested extensions to both the grant periods and the SF-269 due dates. Extending the grant period by default extends the SF-269 due dates. All extension requests—whether to the grant period or reporting due date—were made to gain additional time for more accurate accounting and reporting of expenditures, rather than for implementation of activities funded by the grants. Specifically, on the 20 grant agreements active during the audit period, the Division:

- requested and received 25 separate reporting extensions for 11 of the 20 grant agreements;
- requested and received approval to extend the grant period an average of 10 months on 12 of the grants, which also extended the reporting due date;
- filed reports for 6 out of those 12 grants an average of 4.4 months after the approved (extended) due date;
- had to resubmit, as required by FWS, 3 of the 6 late reports because of errors (1 was resubmitted 3 times); and
- has not yet filed one report, due August 31, 2007, and FWS has not approved any additional reporting extensions.

Officials told us they requested extensions to comply with a memorandum issued by the Division of Management and Budget Services (Budget Services) on closeout procedures for FWS grants. The memorandum, dated May 20, 2004, directs the Division to request a 6-month extension to the grant period, and by default, the reporting period. Division personnel said that, in the past, additional time was necessary because they manually recorded labor hours from timesheets into the accounting system. However, the Department implemented an electronic timekeeping system in April 2005. Provided there is timely review of the expenditure information in the accounting system, additional time should not be necessary for reporting to FWS.

Division officials concurred that some reports were submitted late to FWS. However, personnel from the Division and Bureau of Federal and Municipal Accounts (Federal Accounts)<sup>4</sup> were unable to explain why the reports were filed late.

We believe the reports may have been filed late in part because grant managers do not review grant costs until the SF-269 is due. The grant managers are responsible for ensuring the appropriateness of the costs charged to the agreements, to ensure compliance with the requirements under 43 C.F.R. § 12.60(a)(1) that costs be reported at a level of detail sufficient to verify the accuracy of the costs. A bureau official, speaking as a former program manager with a biology background, indicated that biologists without a “numbers” background who have become program managers find it difficult to understand accounting information.

Division officials explained that FWS regional personnel approved the extension procedure to accommodate the State’s accounting for total “federal” costs. The Division is planning to issue quarterly Financial Status Reports and perform quarterly drawdowns of Program grant funds in the future. Quarterly drawdowns would require interim reviews and analyses of grant expenditures that may reduce the late reporting issue.

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<sup>4</sup> Federal Accounts is within the Division of Management and Budget Services (Budget Services).

## **Recommendations**

We recommend that FWS:

1. not approve 6-month grant extensions for financial status reporting purposes only;
2. require the Division to provide sufficient information to support its justification when it requests reporting extensions and limit reporting extensions to 90 days;
3. require the Division to establish an implementation date to proceed with quarterly Financial Status Reports and drawdowns; and
4. require the Department personnel from Federal Accounts, Budget Services, and the Division to train grant managers to ensure they understand grant reporting requirements and their importance in the internal control process for grant accounting.

## **Department Response**

Division officials concurred with recommendation three and intend to begin reporting and making drawdowns on a quarterly basis. However, the officials did not concur with the remaining three recommendations, stating they do not extend grants for reporting purposes; that extensions are rare; and that working with program staff is best done on an "as needed" basis.

## **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

## **OIG Comments**

We believe the quarterly reporting and drawdowns will begin to address the problems identified as described in the finding above. However, we believe the Department's closeout process is not suitable to meet timely reporting requirements. We believe implementing recommendations one, two, and four, in addition to recommendation three, will assist the department to be more timely and accountable in its grant reporting.

While FWS will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address one recommendation, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),

- title of official(s) 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.

#### **D. Inadequate Internal Controls Over Personal Property Management**

Federal and State regulations require grantees to maintain adequate control over personal property. The Department's Division of Operations (Operations) manages personal property for the Department. Operations' Bureau of Office Services, Property Management Unit (Property Unit) manages non-motorized property. Operations' Bureau of Transportation Services (Transportation Services) manages motorized property and vehicles. These units maintain three separate databases of information on personal property (one for non-motorized property, one for motorized property, and one for vehicles) that they feed into the Statewide Capital Asset Accounting System (SCAAS). The Division also maintains a separate database of equipment purchased with Program grant funds. We identified internal control weaknesses with property management in each of these units and databases and with the Department's overall property management.

Equipment purchased with Program grant funds must be used only for Program activities and must be identified and controlled to properly manage the property in accordance with the requirements in 50 C.F.R. § 80.18 and 43 C.F.R. § 12.72. The Department's Property Management System Policies and Procedures Manual (dated June 1995) provides the framework for the management of all the Department's assets. Section 4.4 of the Manual and Property Management Bulletin PM 12 require an annual verification of all formally controlled property by a "hands on" physical count. The Bulletin also requires that certification of the completed annual physical count be done in writing by regional and program directors. Personal property requiring formal control includes items of significant value with long useful lives or items with special control concerns, such as furniture, cameras, computers, and computer software.

We list the weaknesses in the Department's internal controls below. The first four items pertain to non-motorized property, motorized property, and vehicles. The remaining items pertain only to non-motorized property.

- The Department has conflicting definitions of what property should be included in the property databases. Procurement regulations define "equipment" (personal property) as items costing over \$1,000 and having a useful life of more than 2 years. Property regulations define "equipment" only as "all items commonly found in the workplace."
- An internal Department audit report contained a finding that personnel misclassified at least seven items—including a planer, table saw, and snowblower—as supplies and materials instead of personal property. As a result, the items were not recorded in the property management system. We believe this

happened because the Department's Fiscal Bulletin 267 on equipment requires the Department to obtain bids for purchases over \$1,000, and the Department did not obtain bids for the equipment items misclassified as supplies and materials. The items identified were all purchased with Program grant funds.

- Procurement personnel failed to notify Transportation Services and the Property Unit when personal property items were purchased and received.
- Non-motorized and motorized property items, as well as vehicles, used in the field are generally assigned to various regional Division Bureau chiefs instead of the individuals who use the property. Therefore, the property databases do not always identify the user. Failures to assign personal property to individuals who use it make it difficult to determine its status.
- The Property Unit has not completed a physical verification of formally controlled property since 1991, 16 years ago. There is therefore no assurance that the database of non-motorized property is accurate. We reported on the lack of physical inventory in our prior audit.
- The non-motorized vehicle database contains items, such as woodworking tools with motors that appear to belong in the motorized property database.
- The Department lists items that appear to have little value, such as old chairs, on the non-motorized equipment inventory. Listing all such property may make it more difficult to keep track of items at a higher risk of loss or theft, such as digital cameras and recorders.
- While the databases for motorized property and vehicles contain information on the funding source, the database for non-motorized vehicles does not. Purchase documents for all personal property contain the funding source, but the non-motorized property database does not contain a field for this information. We also reported this condition in our prior audit.
- While Division personnel developed a database of personal property purchased with Program grant funds in response to our prior audit report, the database includes only property purchased after April 1, 2005. Additionally, it is not linked to the State's property system.

We also tested controls over a sample of personal property in the field and identified problems. We examined 92 vehicles and motorized equipment items, valued at \$686,060, that were listed on the Division's inventory as having been purchased with Program grant funds or license revenue. We found that 12 items valued at \$9,640 were not tagged. One boat valued at \$1,650 was improperly tagged. We also selected 204 property items located in the field (motorized, non-motorized, and vehicles) and found that 96 of these items (almost 50 percent) were not included in the Department's Property Management databases. We also found 11 items that were not at the assigned location.

The problems identified above with controls over equipment purchases, initial recording of equipment in the property system, and periodic controls over the use of equipment leave the Department vulnerable to losing control over equipment. Additionally, FWS has no assurance that non-motorized equipment purchased with Program grant funds is being used for the purpose for which it was originally acquired.

We believe the weaknesses in internal control exist in part because the non-motorized property database has been in place since 1991 and no longer meets the Department's needs. Additionally, only one employee in the Property Unit performs the property management responsibilities for non-motorized property for the entire Department. We believe that one individual cannot ensure that all Property Management System operational requirements for non-motorized property are followed for the entire Department.

The Department agreed in its response to the findings in the internal audit report that the current property system is antiquated. It said personnel should concentrate on identifying a transitional system that will keep accurate, up-to-date and detailed reports on all reportable equipment purchased from April 1, 2006 forward; that staffing and funding for a new system are beyond the control of the Division responsible for implementation; and Executive support will be sought to meet these needs. Department officials explained to us that Department staff is proposing a new computerized property management system and developing standards to complete and reconcile an inventory over the next 18 months.

We repeat one open recommendation from our prior audit report. The Division has not yet taken action to implement this recommendation. Implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report (R-GR-FWS-0025-2003). We also make six new recommendations.

### **Repeat Recommendation**

We recommended in our prior audit report that FWS require the Division to account for and control Federal Assistance [Program] property in a manner to assure that it is used for the purpose for which it was acquired (Recommendation D.1 in the prior audit report).

### **New Recommendations**

We recommend that FWS:

1. determine whether to require the Department to obtain approval for future equipment purchases, until the Department can demonstrate that the property management system includes a funding source field;

and that FWS require the Department to:

2. develop a clear and consistent definition of equipment that is utilized in both Property and Procurement regulations, policies, and procedures (including dollar thresholds and sensitivity levels, as appropriate);
3. ensure that personnel using the equipment are accountable and responsible for the equipment;
4. train Bureau staff responsible for the coding of purchases to ensure that all purchases of equipment are properly classified and that Property Management, Transportation Services and the local Property Coordinator are notified of such purchases and tags are received and attached to all equipment;
5. develop policies and implement procedures to ensure that Property Transactions Forms for all equipment are submitted to Property Management and Transportation Services when required; and
6. provide documentation to FWS that it has completed its annual verification and certification of property through a physical hands-on inspection.

#### **Department Response**

Department officials concurred with the recommendations. They assembled a multi-divisional team to update the Department's inventory procedures and to make recommendations for a database program to track inventory and allow periodic physical inventories to be conducted. The team hopes to have recommendations by the end of the calendar year [December 31, 2008].

#### **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

#### **OIG Comments**

While FWS will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address the recommendations, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),
- title of official(s) 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.

## **E. No Real Property Reconciliation**

The Bureau of Real Property (Bureau) within the Department has land information in two databases. The first includes lands purchased with Program grant funds and license fee funds from 1995 to present. The second database includes lands purchased from 1902 to 1984. Combined, these databases show land purchased for \$5.6 million. Conversely, FWS land records show land parcels purchased with Program grant funds for \$6.6 million, with records going back to 1942.

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. § 225. In addition, 50 C.F.R. § 80.18 and the FWS Manual (522 FW 1.15) require each State to be responsible for the accountability and control of all assets acquired with Program grant funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Under 50 C.F.R. § 80.4, the same accountability and control requirements extend to those assets acquired with license revenues.

A Division official said this condition occurred because they have not reconciled their land records with FWS land records to determine their accuracy and completeness. As a result, the Department's land records are not adequate to ensure effective control over lands acquired with Program grant funds and with license revenues. Accordingly, the Department cannot ensure that such lands are being used for their intended purposes.

Department officials concurred that they have not reconciled the electronic Real Property databases with those of FWS because they had not seen the FWS list prior to the audit and thus had not had a chance to reconcile the lists. The officials agreed that they should complete a reconciliation to ensure that both sets of records are complete and accurate.

### **Recommendation**

We recommend that FWS require the Department to reconcile its land records with FWS land records.

### **Department Response**

Department officials concurred with the recommendation. The officials provided FWS with a reconciliation between land parcels in the Department and those in FWS databases. They indicated that they are working with FWS regional officials to determine whether about 12 parcels that were in the Department's electronic file but not in the FWS were included in grant reimbursement requests. Department officials indicated that upon completion of this review, Department and FWS records should match.

### **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

## **OIG Comments**

While FWS will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address the recommendations, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),
- title of official(s) 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.

### **F. Certain Indirect Costs Incorrectly Claimed**

Grantees may incur and charge to grants those costs that are associated with more than one grant, project, or cost objectives. Such costs are referred to as indirect costs. To determine the amount of indirect costs allocable to each grant, a grantee must use an indirect cost rate approved by an independent “cognizant” agency. The Department claimed more indirect costs for reimbursement by FWS than were allocable to the Program grants. It did so because it used the wrong indirect cost rate to determine a portion of the costs claimed.

Under 2 C.F.R., Part 225, Appendix E, E.1, once a negotiated indirect cost rate has been agreed upon for an agency, the agency must accept and use it. The Department negotiates an indirect cost rate for each SFY. To determine the amount of indirect costs it may claim under the grants, the Department applies its indirect cost rate to the cost of salaries and fringe benefits that are allocable to the grants. When a pay period overlaps SFYs, the Department must use two different indirect cost rates, one for each SFY. However, the Department’s accounting system determines an indirect rate to use for the entire pay period based on the first day of the pay period. Accounting personnel said that prior to submitting the final SF-269s to FWS, they adjust the indirect costs using the appropriate rates. However, we found that the adjustments to the calculated indirect cost amounts are not always made before the Department submits the SF-269.

We identified \$10,356 of excess indirect costs claimed on Grant F-48-R-6, for which the Department already submitted the SF-269. Prior to the end of our fieldwork, Bureau officials submitted a corrected SF-269. Our review of the additional information received addressed the excess costs identified for Grant F-48-R-6.

Additionally, we found \$16,402 in errors for the information used to develop the SF-269s for eight additional grants. The SF-269s have not yet been submitted to FWS, so we are not questioning these costs. However, these errors indicate that the Department’s policies and procedures are inadequate to ensure they properly charge indirect costs to the grant.

Bureau officials stated that corrected financial status reports will be submitted for the eight grants.

### **Recommendation**

We recommend that FWS require the Department to develop policies and implement procedures to ensure the appropriate negotiated indirect cost rates are applied to salaries and fringe benefits when the final pay period of a grant period overlaps fiscal years.

### **Department Response**

Department officials concurred with the recommendation. Department officials said that the indirect rate applied to all grants should be calculated manually when a pay period overlaps two fiscal years. In addition, the Department submitted revised financial status reports for the affected grant agreements.

### **FWS Response**

FWS regional officials reviewed the actions the Division has taken and proposed and will work with Division officials to develop and implement a corrective action plan.

### **OIG Comments**

While FWS will address outstanding issues in the corrective action plan and Department officials indicated they have taken action to address the recommendations, additional information is needed. The plan should include:

- the specific actions taken or planned,
- targeted completion date(s),
- title of official(s) 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.

## Appendix 1

### NEW YORK DEPARTMENT OF ENVIRONMENTAL CONSERVATION FINANCIAL SUMMARY OF REVIEW COVERAGE APRIL 1, 2005, THROUGH MARCH 31, 2007

			Questioned Costs (Federal Share)	
Grant Number	Grant Amount	Claims Costs	Cost Exceptions	Total
F-38-D-19	\$993,333	\$998,322		
F-38-D-20	\$693,333	\$694,837		
F-48-R-6	\$6,459,224	\$5,312,137		
F-48-R-7	\$6,938,774	\$4,709,907		
F-49-R-5	\$3,638,007	\$3,479,286		
F-49-R-6	\$4,022,705	\$3,639,277		
F-49-R-7	\$15,476,105	\$3,670,247		
F-50-E-6	\$219,100	\$89,653		
F-50-E-7	\$312,053	\$106,263		
F-51-D-1	\$566,667	\$112,763		
F-52-D-2	\$1,035,240	\$1,317,481		
F-52-D-3	\$1,245,385	\$150,317		
F-103-D-1	\$211,000	\$177,449		
W-125-S-34	\$1,757,783	\$2,612,330	\$32,506	\$32,506
W-125-S-35	\$1,851,105	\$2,685,377		
W-125-S-36	\$1,738,056	\$922,803		
W-175-D-1	\$966,944	\$1,081,137		
WE-173-G-16	\$6,788,881	\$5,320,097		
WE-173-G-17	\$6,933,333	\$7,303,144		
WE-173-G-18	\$7,233,249	\$6,200,279		
<b>TOTAL</b>	<b>\$69,080,277</b>	<b>\$50,583,106</b>	<b>\$32,506</b>	<b>\$32,506</b>

**NEW YORK DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
SITES VISITED**

**Headquarters**

Division of Fish, Wildlife, and Marine Resources, Albany

**Regional Offices**

Region 6, Watertown

**Sub-Offices**

Region 4 Sub-Office, Stamford  
Region 5 Sub-Office, Warrensburg  
Region 7 Sub-Office, Cortland

**Fish Hatcheries**

Catskill Fish Hatchery, Livingston Manor

**Other Areas**

Brownville Maintenance Center, Brownville  
Cape Vincent Research Center, Cape Vincent

## Appendix 3

### NEW YORK DEPARTMENT OF ENVIRONMENTAL CONSERVATION STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Actions Required
<p>A.1, A.2, B.1, B.2, B.3, C.1, C.2, C.3, C.4, D.1, D.2, D.3, D.4, D.5, D.6, E, and F</p> <p>D</p>	<p>Additional information is needed, as outlined in the “Actions Required” column.</p> <p>Repeat Recommendation D.1 from our prior report (R-GR-FWS-0025-2003). PMB considers this recommendation unresolved and unimplemented.</p>	<p>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 by September 25, 2008 to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.</p> <p>Provide documentation regarding the resolution and implementation of this recommendation to PMB.</p>

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