



**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  
Tennessee, Wildlife Resources Agency,  
from July 1, 2004 Through June 30, 2006**

**Report No. R-GR-FWS-0014-2007**

**July 2008**



# United States Department of the Interior

**OFFICE OF INSPECTOR GENERAL**  
12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

July 2, 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 Tennessee, Wildlife Resources Agency, from July 1, 2004 Through June 30, 2006 (No. R-GR-FWS-0014-2007)

This report presents the results of our audit of costs incurred by the State of Tennessee (State), Wildlife Resources Agency (Agency), 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 \$46.2 million on four grants that were open during State fiscal years (SFYs) ended June 30 of 2005 and 2006 (see Appendix 1). The audit also covered Agency 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 Agency complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$153,360. We also found the Agency:

- earned program income that it did not report;
- overstated the value of in-kind (noncash) contributions from volunteers, which it used, in-part, to meet the requirement that it expend a certain portion of grant costs using non-federal dollars;
- failed to adequately store data on the number of lifetime license holders in the State; and

- had inadequate records to ensure it maintained control of its real property and equipment.

We provided a draft report to FWS and the Agency for a response. We summarized Agency and FWS Region 4 responses after each recommendation, as well as our comments on the responses. FWS stated they would consider the Agency's comments in their corrective action plan. 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 30, 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, Jeff Wilson, or me at 703-487-5345.

cc: Regional Director, Region 4, 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 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 Agency:

- 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 \$46.2 million on the four grants that were open during SFYs 2005 and 2006 (see Appendix 1). We report only on the conditions that existed during this audit period. We performed our audit at Agency headquarters in Nashville, TN, and visited two regional offices, four wildlife management areas (WMAs), one firing range, one State lake, one fish hatchery, one fisheries work center, and two 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

---

<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 Agency;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Agency employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Agency used hunting and fishing license revenues solely for administration of the Agency; 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 Agency operations.

### **Prior Audit Coverage**

On January 8, 2004, we issued “Costs Claimed by the Tennessee Wildlife Resources Agency, Under Program Grants from the U.S. Fish and Wildlife Service from July 1, 2000, to June 30, 2002” (R-GR-FWS-0027-2003). We found that all of the recommendations are resolved and implemented.

We reviewed Tennessee’s Comprehensive Annual Financial Report and single audit report for SFYs 2005 and 2006. The Agency’s grant Programs were not selected for compliance testing in the single audit. Further, the single audit reports did not contain any findings that would directly impact the Agency’s Program grants or programs under the grants.

We also reviewed the Tennessee State Comptroller’s Audit Report on the Tennessee Wildlife Resources Agency, dated July 1, 2007. The report contained a finding that the Agency had inadequate controls over its equipment. Our audit report also contains a finding in the Findings

and Recommendations section on the controls over equipment. The Comptroller's report also stated that Agency management did not comply with all provisions of the Tennessee Department of Finance and Administration's policy concerning grants accounting. We did not identify problems with the overall financial management system as it applies to the accounting process for Program grants.

---

---

## Results of Audit

---

---

### Audit Summary

We found that the Agency 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 \$153,360. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** The Agency was reimbursed \$153,360 more than it should have been for indirect costs.

**Inadequate Storage of Lifetime License Data.** The Agency did not adequately back up all of the data on the number individuals who hold fishing and hunting licenses that were sold as “lifetime” licenses.

**Unreported Program Income.** The Agency had not reported all program income generated under two Program grants.

**Inadequate Real Property Records.** Discrepancies existed between data contained in the Agency’s real property records and those of the FWS. In addition, the Agency does not have administrative control of 933 acres of land at the Prentice Cooper Wildlife Management Area, which was acquired with Program grant funds.

**Inadequate Equipment Management.** The Agency’s controls over equipment were inadequate to prevent loss or misuse of the equipment.

**Unsupported and Overstated In-Kind Contributions.** The Agency claimed the value of volunteer hours (in-kind contributions) to meet, in part, the requirement that it fund a portion of grant costs with non-federal dollars. Some of those hours were worked outside of the grant period or valued at a rate that the Agency could not support with adequate documentation.

### Findings and Recommendations

#### A. Questioned Costs — \$153,360

The Agency has one grant agreement for each SFY. The single grant agreement provides funding for multiple projects related to the grant Program. The Agency used a negotiated indirect cost rate to calculate its administrative costs for each project funded under the grants. To determine the amount of administrative costs to claim for each project, Agency personnel applied the indirect cost rate to a direct cost base of salaries and wages (direct costs are those that can be attributed directly to the completion of a project). For SFY2006, Agency personnel applied an indirect cost rate of 59.27 percent to the wrong salary and wage base on the Motor Boat Access and Hunter Education programs,

resulting in \$153,360 in excess charges to the grant. The personnel applied the indirect cost rate appropriately to the Agency's remaining projects, which indicate the incorrect application of the rate is not a systemic problem.

The Code of Federal Regulations (50 C.F.R. § 80.15 Allowable Costs) defines allowable costs as those which are necessary and reasonable to accomplish approved project purposes, and are in accordance with OMB Circular A-87 (now 2 C.F.R. § 225). Appendix E of Part 225, Section B.4 Definitions, specifies that the "base" used for the computation of indirect costs is the accumulated direct costs. Normally, the base includes either total direct salaries and wages or total direct costs, exclusive of any extraordinary or distorting expenses. The direct cost base used should result in fair and reasonable distribution of indirect costs among each federal award.

Agency personnel made an error when computing the salaries and wages for both the Motor Boat Access and Hunter Education programs, thereby distorting the base expenses to which it applied the indirect cost rate. For the Motor Boat Access program, Agency personnel used a salary and wage base of \$653,284 instead of \$475,907. This incorrect base resulted in the Agency claiming \$105,131 in excess indirect costs (\$78,848 federal share). For the Hunter Education program, Agency personnel used a salary and wage base of \$885,357 instead of \$717,733. This resulted in the Agency claiming \$99,350 in excess indirect costs (\$74,512 federal share). In total, the Agency was reimbursed \$153,360 more than it should have been for indirect costs on the Motor Boat Access and Hunter Education programs. We are questioning these costs.

### **Recommendation**

We recommend that FWS resolve the \$153,360 in questioned costs.

### **Agency Response**

Agency officials concurred with our recommendation and stated that the Agency will work with FWS to develop a corrective action.

### **FWS Response**

FWS Regional officials concurred with the recommendation and stated that they would work with the Agency in developing a corrective action plan to resolve the recommendation.

### **OIG Comments**

While FWS regional management concurred with the recommendation, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation,



- 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 Agency.

## **B. Inadequate Storage of Lifetime License Data**

States must calculate the number of hunting and fishing license holders in the State each year, certify the accuracy of the count, and report the information to FWS. The annual certification is a critical component in determining a State's annual apportionment of Program grant funds. The Agency included "lifetime licenses," which are good for multiple years, in its certifications. The Agency used data stored in an excel spreadsheet to determine the number of lifetime license holders to include in the annual certifications that were reported during our audit period. The spreadsheets resided on the Grant Program Coordinator's local hard drive. The only backup for these spreadsheets was on disks kept in the Coordinator's desk.

A basic management control objective for any organization is to protect the data supporting its critical operations. Adequately protecting data would include the periodic backup of data and files and storing the data at an off-site location.

The Agency maintains a local area network server which is backed up daily, and it maintains the backed-up data at an off-site location. However, data on lifetime licenses was not kept on the server and was not adequately backed up. In the event a disaster occurred, these data files could be lost and the Agency would be required to reconstruct the lifetime license data for its annual certification to the FWS. For the certification year ended June 30, 2006, lifetime license holders were 22.5 percent of total hunting license holders and 17.2 percent of total fishing license holders. Lifetime licenses are therefore a significant portion of the State's overall license counts, and the State's annual apportionment could be negatively impacted if lifetime license data is not included in the annual certification.

### **Recommendation**

We recommend that FWS work with the Agency to ensure that the spreadsheet files containing information on lifetime license holders are kept on the Agency's local area network, periodically backed up, and stored off-site to prevent loss in case of a disaster.

### **Agency Response**

Agency officials concurred with our recommendation and stated that the Agency will work with FWS to develop corrective action.

## **FWS Response**

FWS Regional officials concurred with the recommendation and stated that they would work with the Agency in developing a corrective action plan to resolve the recommendation.

## **OIG Comments**

While FWS regional management concurs with the recommendation, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation,
- 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 Agency.

### **C. Unreported Program Income**

FWS and federal regulations permit grantees to earn income from activities supported by grant funds, but require that they account for such “program income” in an agreed-upon manner. During SFYs 2005 and 2006, the Agency earned but did not report as program income \$846,283 in cash revenue from activities supported by Program grants (\$451,881 on grant FWE-6-22 and \$394,402 on grant FWE-6-23). In addition, the Agency did not report program income earned during this period from barter services that were worth \$108,735 (\$32,881 on grant FWE-6-22 and \$75,854 on grant FWE-6-23). Program grants from the FWS funded the projects and activities that earned the revenue, so such revenue should have been reported as program income.

Under 43 C.F.R. § 12.65, program income includes gross income that a grantee earns from a grant supported activity or only as a result of the grant agreement during the grant period. In addition, the regulations specify that program income ordinarily will be deducted from total allowable costs to determine the net allowable costs, unless the federal agency authorizes otherwise. Finally, the regulations require grantees to use program income which the grantee did not anticipate at the time of the award to reduce the federal agency and grantee share of grant costs, rather than to increase the funds committed to the project.

The Agency earned the \$846,283 in unreported program income from agricultural leases (\$389,364), managed quota hunts (\$305,737), and timber sales (\$151,654)<sup>2</sup>. The Agency prepares annual performance reports that summarize grant activities conducted during the

---

<sup>2</sup> The individual totals exceed the total unreported program income by \$472 because we subtracted that amount from the total due to an overreporting by the Agency of income received from shooting range fees.

year. The annual performance reports covering the grants in our audit period specifically mentioned the timber sales, agricultural leases, and hunts as grant-supported activities. Although Agency personnel were aware of the need to report revenue from timber sales, they did not adequately identify and report income from all applicable timber sales. Additionally, an Agency official told us Agency personnel were unaware they had to report as program income revenues earned from cooperative farming and managed quota hunts.

The two grants in question did not authorize the Agency to add program income to the grant amount, so Agency personnel should have reduced net allowable costs by the amount of income earned. Agency personnel may have therefore overstated net allowable costs by \$846,283 and been reimbursed more than it should have been. Also, the Agency did not report the barter services to FWS.

### **Recommendations**

We recommend that FWS:

1. determine whether the Agency was reimbursed more than it should have been due to the \$846,283 in unreported program income for SFYs 2005 and 2006, and if so, determine how to account for the excess reimbursement;
2. ensure that the Agency develops policies and procedures to identify, use and report revenue earned from grant-supported activities as program income, in accordance with the grant agreement and applicable regulations; and
3. require Agency personnel to revise their financial status reports (SF-269s) to show cash and barter income earned under the grants and ensure that the Agency reports on the SF-269s barter services received that support grant activities.

### **Agency Response**

Agency officials partially concurred with our recommendations. They agreed that program income received from agricultural leases and timber sales should be reported. They believe income generated from managed quota hunts should be treated as license revenue rather than program income.

### **FWS Response**

FWS regional officials concurred with the portion of the recommendations regarding unreported program income from timber sales and will work with Agency to develop a corrective action. However, they indicated that they acknowledge the recommendations regarding managed quota hunts and barter income from agricultural leases and will address them in detail in a pending corrective action plan.

## **OIG Comments**

We disagree with the Agency's position that income generated from the managed quota hunts are not program income. Had the Agency used its license or other funds to generate the revenues from sale of quota hunt permits, then the income generated would be license revenue. However, since the Agency used Program grant funds to generate the revenue, the proceeds from the sale of quota hunt permits is program income. In addition, although FWS concurs with the timber sales portion of the finding, it does not address cash income generated from agricultural leases.

Additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations,
- 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 Agency.

### **D. Inadequate Real Property Records**

Adequate and accurate real property (land) records help States to ensure they use real property purchased with Program grant funds only for the originally intended purpose, as required under federal regulations. In our tests of the accuracy of the Agency's land records, we compared properties identified in the Agency's land records as having been purchased with Program grant funds with properties contained in a land inventory maintained by FWS. We found that the Agency does not have administrative control of 933 acres of land at Prentice Cooper WMA, which was acquired with Program grant funds under Grant W-7-L-2. This land is listed as under the control of the Tennessee Department of Environmental Conservation.

We also found inconsistencies between the records maintained by FWS and those maintained by the Agency. For example, we identified several parcels recorded in the FWS records that were not identified by the State as being acquired with federal funds. Specifically, 190 acres acquired under Grant W-3-L-18 for the Catoosa WMA was included in the FWS land inventory but was not included in the State's records. We identified this same issue with 100 acres of Gooch WMA, which was acquired with funds awarded under Grant W-37-L-4. Similarly, the FWS records do not include 524 acres of Glenn Springs Lake, but the State's records show these acres were acquired with funds awarded under Grant F-69-1.

To comply with 50 C.F.R. § 80.19, States must maintain current and complete property records and, in doing so, follow the applicable requirements contained in the FWS Manual. The regulations also require States to maintain accountability and control of all

assets to assure that the assets are used throughout their useful life for the purpose for which they were acquired (50 C.F.R. § 80.18).

Discrepancies exist between FWS and Agency land records because Agency personnel had not reconciled the Agency's real property records with those of FWS. Additionally, Agency officials were not aware of the mistake in the real property records on the Prentice Cooper WMA. The Agency is at risk of losing control of property that was acquired with Program grant funding for fish and wildlife purposes.

### **Recommendations**

We recommend that FWS ensure that the Agency:

1. reconciles its real property records with those of FWS and
2. works with the Tennessee Department of Finance and Administration to change the real property records so that the 933 acres of lands at Prentice Cooper WMA are listed as under the control of the Tennessee Wildlife Resources Agency or acquire replacement property.

### **Agency Response**

Agency officials do not concur with the recommendations. They believe that they have made attempts in the past to reconcile their records with those of FWS. The officials believe that the Agency is not responsible for the 933 acres of lands acquired with Program grant funding that is under the control of the Department of Conservation and that it has no authority to take land from another Department. They stated that it is up to the FWS to determine whether the Department is in compliance with the terms of the grant agreement, and if not, they believe it is the responsibility of the FWS to take action.

### **FWS Response**

FWS regional officials concurred with the recommendations and stated that they would work with the Agency to develop a corrective action plan.

### **OIG Comments**

As described above, land acquired with Program grant funding for the purposes of fish or wildlife restoration must be maintained and utilized for those purposes (50 C.F.R. § 80.18). Because these lands did not transfer to the Agency when it separated from the Department of Conservation, the lands could be used for purposes other than wildlife restoration. The FWS manual (Section 522 FW20.4) specifies that when lands purchased using grant funds passes from management control of the State fish and wildlife agency, the control must be fully restored to the State fish and wildlife agency or the real property must be replaced using non-Program grant funds. Replacement property must be of equal value at current market prices and have equal benefits as the original property.

While FWS regional management concurs with the recommendations, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations,
- targeted completion dates,
- titles of officials responsible for the actions taken or planned, and
- verifications that FWS headquarters officials reviewed and approved of actions taken or planned by the Agency.

#### **E. Inadequate Equipment Management**

Federal regulations require each State to have adequate controls in place to ensure the State maintains accountability for equipment (50 C.F.R. §§ 80.18 and 80.19, as cited in finding D above). To test the State's controls over equipment, we reviewed the State's inventory management system and selected sixty items of equipment, valued at \$657,382, for visual inspection. We identified:

- 15 pieces of equipment (25 percent of items selected for sampling), valued at \$202,227, that were not being maintained at the physical location to which the equipment was assigned in the equipment inventory system;
- 13 pieces of equipment (22 percent of items selected for sampling), valued at \$81,351, that were missing a State property identification tag; and
- 1 item, a locator/shocker, valued at \$8,699 that could not be found.

In addition, while on a site visit, we inspected two desktop computers that were not included on the inventory listing for the site inspected. The property officer for the site provided a formal transfer document for one of the items. However, the item was not updated in the inventory system at the time of our review.

Based on our tests and our review of the State's inventory management system, we concluded that the State does not have adequate equipment management controls. The inventory management system identifies the location of the individual accountable for property, but not the physical location of the property itself. Adequate information on the physical movement of property can help to ensure accountability for the equipment. Additionally, the Department of General Services required all State agencies to place paper stickers with bar codes on equipment as identifiers. Given the nature of the Wildlife Agency's operations, many of its equipment items are located and used outdoors. The paper tags therefore faded and/or fell off the equipment, leaving some equipment without any identification tags. Finally, while the State requires individuals accountable for equipment to conduct an annual physical inventory, no independent third-

party (such as a representative of the Agency's central property management office) is required to conduct such inventories.

Due to the control weaknesses over equipment, pieces of equipment purchased with Program grant funding and license revenues are at risk of loss. Additionally, the Agency and FWS have no assurance that equipment is used for its originally intended purposes.

### **Recommendations**

We recommend that FWS ensure that Agency officials:

1. establish controls to ensure that items included in the Agency equipment inventory system can be identified by their physical location,
2. revise the current inventory procedures to place responsibility on someone other than the individual assigned the equipment to conduct annual physical inventories in the field, and
3. require placement of a State property identification number or tag (in addition to the paper barcode label) on equipment that is maintained in an outdoor environment.

### **Agency Response**

Agency officials do not concur with the recommendations. They stated that it is not practical to track equipment by location or update the equipment inventory when an item is relocated because many items are used at multiple locations. Officials also do not believe that the Agency's property inventory verification system is inadequate because it requires that two people conduct the inventory and that each signs the form to affirm visual verification of the item. They also believe that it is not always practical or desirable to add identification numbers to equipment. Therefore, the Agency proposes that the auditors issue a recommendation that equipment be so-marked where practical.

### **FWS Response**

FWS regional officials acknowledge the recommendations and stated that they would work with the Agency in developing a corrective action plan.

### **OIG Comments**

We believe for the Agency to maintain accountability for its property, it needs an inventory control system that can identify property by location(s) and a State assigned control number. While we agree having two individuals physically verify equipment adds a level of independence, the information provided to us during our audit indicates that the responsibility lies with only one individual—the one to whom the equipment is assigned. We believe that it is essential that all items include such a number for adequate

control. If it is impractical to include a barcode label then it would be prudent for other means to be taken such as etching or marking the item.

While FWS regional management acknowledges the recommendations, additional information is needed in the corrective action plan, including:

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

#### **F. Unsupported and Overstated In-Kind Contributions**

Under the Program, States must use “State matching” (non-federal) funds to pay for at least 25 percent of costs incurred in performing projects under the grants. The Agency used the value of hours worked by volunteer instructors to meet, in part, its matching requirement on its grants for SFYs 2005 and 2006. States may use the value of such third-party noncash (in-kind) contributions to meet the matching requirement, but they must adequately support the value of the contributions claimed. The Agency determined the value of in-kind contributions by multiplying the hours worked by an hourly rate, and we identified problems with both hours claimed and hourly rates used to value the hours.

Under 43 C.F.R. § 12.64 (a)(2), a grantee may satisfy a matching requirement by using the value of third party in-kind contributions. Contributions are eligible to be used when they are applicable to the grant period and verifiable from the State’s records. The records must show how the value placed on the contributions was derived (43 C.F.R. § 12.64 (b)(6)). In addition, unpaid volunteer services provided by individuals must be valued at rates consistent with those ordinarily paid for similar work in the grantee’s organization (43 C.F.R. § 12.64 (c)(1)).

The volunteers taught hunter safety classes in the Agency’s hunter education program. The Agency required the volunteers to record their hours on activity reports and submit them to the Agency. We reviewed this supporting documentation. We determined that the Agency claimed the value of 1,175 hours worked during classes that were taught outside the grant period. These hours were therefore ineligible to be claimed, and are summarized in the table below under “ineligible.” The activity reports also contain a place for volunteers to record their own hourly rate. We found that when the Agency used these rates, rather than the standard hourly rate for a Wildlife Officer 1, it lacked adequate support to substantiate the rates. We recalculated the value of eligible hours claimed using the standard hourly rate. We summarize in the table below under “Unsupported” the difference between our calculation and the value of hours claimed by the State.



<b>Grant Project</b>	<b>Ineligible</b>	<b>Unsupported</b>	<b>Total Ineligible and Unsupported</b>
Hunter Education – SFY05	\$12,690	\$5,072	\$17,762
Hunter Education – SFY06	8,734	6,553	15,287
<b>Total</b>	<b>\$21,424</b>	<b>\$11,625</b>	<b>\$33,049</b>

**Table 1. Ineligible and Unsupported In-Kind Contributions**

We also discovered discrepancies between the hours recorded on activity reports and the hours claimed as the State matching share of grant costs in 19 of the 24 months reviewed. We did not compute the total sum of the differences because it would have been prohibitively labor and time intensive. We note the discrepancies because it indicates a lack of adequate controls to ensure the accuracy of hours claimed.

The Agency claimed hours worked outside of the grant period because it used the submission dates of activity reports instead of class dates to determine which hours to claim. The Agency lacked adequate support for certain hourly rates because it did not request support for the hourly rates claimed by volunteers on the activity reports. Finally, the discrepancies between recorded and claimed hours arose because Agency personnel manually tally hard copy activity reports and do not verify those tallies.

The Agency overstated the value of in-kind contributions by at least \$33,049 and was unable to support all of the volunteer hours reported as in-kind contributions. We determined that there was no monetary impact on the grants, because the Agency accumulated excess matching cash outlays on the grants. However, overstating in-kind contributions claimed as the State matching share of costs could lead the Agency to be reimbursed more than it should be under the grants.

## **Recommendations**

We recommend that FWS ensure that the Agency:

1. revise its policies and procedures to claim in-kind contributions based on class dates rather than activity report submission dates and to calculate the value of the contributions using only hourly rates that have adequate support, and
2. develop an internal control to verify that the volunteer hours claimed as in-kind contributions are correctly calculated and supported by activity reports.

## **Agency Response**

Agency officials concurred with our recommendations and stated that they will work with FWS to develop corrective actions.

### **FWS Response**

FWS Regional officials concurred with the recommendations and stated that they would work with the Agency in developing a corrective action plan.

### **OIG Comments**

While FWS regional management concurs with the recommendations, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations,
- targeted completion dates,
- titles of officials responsible for the specific actions taken or planned, and
- verification that FWS reviewed and approved of actions taken or planned by the Agency.

**TENNESSEE WILDLIFE RESOURCES AGENCY  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JULY 1, 2004, THROUGH JUNE 30, 2006**

<b>Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>	<b>Questioned Costs (Federal Share)</b>
FWE-6-22 <sup>3</sup>	\$17,337,995	\$22,278,398	
FWE-6-23	19,147,321	23,941,487	\$153,360
W-4	2,382	2,382	
W-6-1	0	0	
<b>TOTALS</b>	<b>\$36,487,698</b>	<b>\$46,222,267</b>	<b>\$153,360</b>

---

<sup>3</sup> As a Comprehensive Management State (CMS) the Tennessee Wildlife Resources Agency has only one grant for each SFY. The grant supports multiple Federal Assistance Program projects.

**TENNESSEE WILDLIFE RESOURCES AGENCY  
SITES VISITED**

**Regional Offices**

Region 1 – Jackson, TN  
Region 2 – Nashville, TN

**Hatchery**

Normandy Hatchery

**State Lake**

Graham Lake

**Fisheries Work Center**

Percy Priest

**Boat Access Sites**

Harmon Creek Boating Access  
Springville Boating Access

**State Firing Range**

Stones River Range

**Wildlife Management Areas**

AEDC WMA  
Cheatham WMA  
Kentucky Lake WMA  
Natchez Trace WMA

## APPENDIX 3

### TENNESSEE WILDLIFE RESOURCES AGENCY STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A, B, C.1,C.2, D.1, D.2, F.1, and F.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 September 30, 2008) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
C.1, C.3, E.1,E.2, and E.3	FWS acknowledges the recommendations, but additional information is needed as outlined in the “Actions required” column.	

## **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 4428 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)