



**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 Wyoming,
Game and Fish Department,
From July 1, 2005, Through June 30, 2007**

Report No. R-GR-FWS-0005-2008

September 2008



United States Department of the Interior

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

September 26, 2008

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Christina 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 Wyoming, Game and Fish Department, From July 1, 2005, Through June 30, 2007 (No. R-GR-FWS-0005-2008)

This report presents the results of our audit of costs incurred by the State of Wyoming (State), Game and Fish Department (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 \$22 million on four grants that were open during State fiscal years (SFYs) ended June 30 of 2006 and 2007 (see Appendix 1). The audit also covered Department compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. However, we found that the Department did not report barter transactions on its financial status reports and used outdated information for its fishing license certifications. We also found that while progress has been made on implementing two open recommendations from our last audit, which are related to real property, the Department is still in the process of implementing one of those recommendations.

We provided a draft report to FWS and the Department for a response. Based on the Department and the FWS responses regarding revisions the FWS made to its Service Manual after we issued our draft report, we consider the recommendations on barter transactions resolved and implemented. We summarized the Department and FWS Region 6 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 December 26, 2008. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

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

cc: Regional Director, Region 6, U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)¹ 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 \$22 million on the four 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 Department headquarters in Cheyenne, WY, and visited two regional offices, four wildlife habitat management areas, two laboratories, seven public access areas, a rearing station, and a wildlife 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

¹ 16 U.S.C. §§ 669 and 777, as amended, respectively.

conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Department used hunting and fishing license revenues solely for administration of the Department; and
- 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 April 22, 2004, we issued “Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Wyoming, Game and Fish Department, from July 1, 2000, through June 30, 2002” (No. R-GR-FWS-0030-2003). We followed up on all recommendations in the report and found that the Department of the Interior, Office of Assistant Secretary for Policy, Management and Budget (PMB) considered all recommendations resolved and all but two recommendations implemented. The two unimplemented recommendations require the Department to maintain a list of real property and follow guidance for disposal of land interests acquired with Program funds. We discuss the progress the State has made in implementing these recommendations in our Findings and Recommendations section of this report.

We reviewed Wyoming's Comprehensive Annual Financial Reports for SFYs June 30, 2006 and 2007 and the Single Audit Report ending June 30, 2006. None of these reports contained any findings that would directly impact the Department's Program grants or programs under the grants. In addition, the Department's Wildlife and Sport Fish Restoration Program was not selected for compliance testing for the SFY2006 Single Audit. The SFY2007 Single Audit Report had not been issued by the end of our fieldwork.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we identified several conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

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

Outdated Information Used for Fishing License Certifications. The Department used an outdated adjustment factor to eliminate duplicate license holders from its annual counts for FWS of fishing license holders in the State.

Improvements Needed in Real Property Management and Disposals. The Department had not implemented two recommendations from our prior audit report regarding property management and disposal.

Findings and Recommendations

A. Unreported Barter Transactions

Grantees are permitted to earn income from grant-supported activities, but they must account for the income in an agreed upon manner. The Department earned “barter” income under 11 barter agreements on its Wildlife Habitat Management Areas (WHMAs) during SFYs 2006 and 2007. Grants FW-17-P-23 and FW-17-P-25 provide funding for wildlife habitat activities and development on these WHMAs. The barter agreements allow farmers to graze their livestock and/or grow crops on these WHMAs in exchange for providing services to the Department, such as weed control, installation of fencing, and irrigation. These services are also intended to improve and maintain wildlife habitat for a variety of species, and therefore directly related to grant-supported wildlife management activities. The Department should have, but did not, report the value of those services as program income on the grants’ financial status reports (SF-269), which summarize grant income and expenditures for the FWS.

The Code of Federal Regulations (43 C.F.R. § 12.65) defines program income as gross income received by the grantee directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period. The regulations also require a grantee to deduct program income from the original total allowable expenditures to determine net allowable expenditures. The grantee may also use the program income as additional funds to support the grant objectives, or report the program

income in an alternative method, if approved by the grantor in accordance with the FWS Manual 522 FW 19, Program Income.

According to Department officials, they requested guidance from FWS on how to report barter transactions, but FWS had no clear guidance on reporting requirements for barter transactions. Therefore, they did not report the barter transactions on the SF-269s. However, they did maintain detailed files for each WHMA and all contracts, leases, requests for proposals, and agreements in lieu of payments.

We note that FWS recently issued guidance (522 FW 19, Exhibit 1, issued February 20, 2008) that specifically states program income does not include cooperative farming and grazing arrangements when the grantee “designs the farming or grazing activities to advance their fish or wildlife management objectives for the benefit of the sporting public and the resource.” We do not believe this guidance covers the barter situation in Wyoming, in which the farming and grazing activities are allowed in exchange for other services, not for any benefit the farming and grazing activities might provide to wildlife.

The SF-269 did not include program income earned from barter services. If the FWS required such income to be deducted from the total allowable expenditures, the Department could have been reimbursed in excess of the allowable federal share of grant expenditures.

Recommendations

We recommend that FWS work with the Department to:

1. determine whether the unreported barter services for FYs 2006 and 2007 affected total allowable grant expenditures, and if they did, resolve any excess grant reimbursements that may have resulted; and
2. ensure that the Department reports barter services on the SF-269s and treats the value of those services in accordance with the grant agreement and federal and State regulations.

Department Response

Department officials disagreed with the finding. They stated that it is their understanding that program income does not include cooperative farming and grazing activities when the grantee designs the activities to advance fish or wildlife management objectives for the benefit of the sporting public and the resource. They provided documentation to FWS to demonstrate the activities in question did benefit the public and the resource.

FWS Response

FWS Regional officials determined that the Department should not treat the barter income in question as program income. They stated that the Department provided

adequate documentation in their response to show that the value received from barter transactions involving cooperative farming and grazing activities meet the revised criteria of Amendment 1 dated February 20, 2008.

OIG Comments

Based on the Department and FWS response, we consider the recommendations resolved and implemented.

B. Outdated Information Used for Fishing License Certifications

Each State is responsible for certifying and reporting to FWS the number of fishing license holders in the State each year. To ensure the Department did not count more than once those individuals who purchase multiple fishing licenses, it conducted an analysis to determine how many individuals hold multiple licenses. Based on this analysis, the Department developed a correction factor that it applied to the count of total license holders to calculate the number of unique license holders. The Department used a correction factor from a 1997 analysis to eliminate potential duplicate fishing license holders from its annual fishing license certification for license years ended December 31 of 2005 and 2006. However, the analysis was outdated after license year 2002.

Under 50 C.F.R. §§ 80.10 (a) and (b), States must provide to FWS information on the number of persons holding paid fishing licenses in the State in the preceding year. This regulation also requires the director of the State fish and wildlife agency to certify that the information is accurate. In addition, 50 C.F.R. § 80.10 (c)(5) prohibits individuals who hold more than one license to fish from being counted more than once as a fishing license holder. Finally, the FWS Manual (522 FW 2.7(1), Grantee Administration) recommends that States conduct surveys to determine and adjust for duplicate license holders every 5 years, or sooner if there is a change in the license structure.

Department officials told us that they continued using the 1997 correction factors because they anticipated implementing an automated license system prior to the study becoming outdated. The automated system was in place in 2001, but we were told that due to various factors, it was not implemented until March 2008. An automated system may allow for the use of alternative methods to eliminate duplicate license holders from the annual counts.

The number of paid fishing license holders reported by the Department could be overstated or understated because the numbers in the fishing license certification were determined using outdated adjustment factors. Because the State receives its annual sport fish apportionment of grant funds based, in part, on the number of license holders, we believe that accurate counts are necessary to assure that each State receives its fair share of funds.

Recommendation

We recommend that FWS require the Department to conduct a new analysis for fishing license sales and, if necessary, revise the adjustment factors currently being used to eliminate duplicate license holders; or to develop, document, and implement an alternative methodology for identifying and removing duplicate license holders in the new automated system.

Department Response

Department officials concurred that the model used since 1998 for annually determining the number of anglers with paid fishing licenses had not been updated. However, they stated that they feel the model has not overstated angler license holder numbers. A new system was developed for calendar year 2008 and the officials believe that it should meet license certification requirements.

FWS Response

FWS officials stated that the Department's comments would be considered in the preparation of the Corrective Action Plan.

OIG Comments

Based on the Department and FWS response, 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 Department.

C. Improvements Needed in Real Property Management and Disposals

During our current audit, we found that two recommendations from our prior audit report were considered by the Department of the Interior Office of Assistant Secretary for Policy, Management and Budget (PMB)² to be unimplemented (recommendations A.1 and A.3 in our prior audit report, R-GR-FWS-0030-2003). These recommendations pertain to the control and disposal of real property (land) acquired with Program grant funds. 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 OMB Circular A-102. Additionally, 43 C.F.R. § 12.71(c) requires grantees to request

² PMB is responsible for tracking the implementation of audit recommendations.

disposition instructions from the awarding agency when the grantee no longer needs land that was purchased with grant funds. Additional requirements regarding disposal and loss of control are contained in 50 C.F.R. § 80.14. We found in our prior audit that the Department needed to improve its property records and to address problems identified with disposal of real property acquired with grant funds.

We recommended in our prior audit (recommendation A.1) that FWS require the Department to develop and maintain a list of its real property that identifies the source of funding - license fees, Program grant funds, or other funds. We also recommended (recommendation A.3) that the Department apply the provisions of 50 C.F.R. § 80.14(b) and 43 C.F.R. § 12.71(c) to each parcel of land purchased with Program grant funds that it improperly disposed of.

In response, the Department provided a real property listing to FWS and, at the time of our audit, was working with FWS to resolve the disposal of real property items identified in the prior audit report. We believe that the Department has made progress in addressing recommendation A.1, and we are therefore not repeating it here.

Additionally, we note that recommendation A.3 has not been fully implemented, and we are therefore repeating the recommendation below. The implementation of this recommendation will be tracked under the tracking process for the prior audit, and any documentation pertaining to it should be submitted to PMB.

Repeat Recommendation

We recommend that FWS work with the Department to ensure that the provisions of 50 C.F.R. § 80.14(b) and 43 C.F.R. § 12.71(c) were applied to each of the disposal of land interests that involved real property acquired with Federal Assistance [the Program] funds (recommendation A.3 in our prior audit report, R-GR-FWS-0030-2003).

Department Response

Department officials indicated that the FWS accepted the final resolution of recommendation A.1 and A.3 from the prior audit, as outlined in the Corrective Action Plan dated March 2005.

FWS Response

FWS officials stated that they consider audit recommendation A.3 from the previous audit report resolved and implemented as of July 10, 2008. FWS included in their response a copy of the letter notifying the State as such. FWS officials requested that we close the recommendation.

OIG Comments

We referred both recommendations A.1 and A.3 from the previous report to PMB for tracking. Once we refer recommendations to PMB for tracking, we do not have the authority to close them. FWS officials must therefore send documentation showing they consider these recommendations resolved and implemented to PMB.

Appendix 1

**WYOMING GAME AND FISH DEPARTMENT
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2005, THROUGH JUNE 30, 2007**

| Grant Number | Grant Amount | Claimed Costs |
|---------------|---------------------|---------------------|
| | | |
| FW-17-P-23 | \$11,430,099 | \$13,545,844 |
| | | |
| FW-17-P-24 | \$1,153,594 | \$633,967 |
| | | |
| FW-17-P-25 | \$12,102,018 | \$7,476,629* |
| | | |
| FW-17-P-26 | \$1,044,812 | \$639,983* |
| TOTALS | \$25,730,523 | \$22,296,423 |

*At the end of our fieldwork, the Game and Fish Department had not submitted SF-269s to the FWS for these two grants. We used the net payments from the FWS iFAIMS for Claimed Costs.

**WYOMING GAME AND FISH DEPARTMENT
SITES VISITED**

Headquarters

Cheyenne

Regional Offices

Casper
Laramie

Wildlife Habitat Management Areas

Cottonwood Draw
Jelm
Rawhide
Springer/Bump Sullivan

Public Access Areas

Gelatt Lake
Grayrocks Reservoir
Lake Hattie
Laramie River-Monolith
Meeboer Lake
North Platte River-Various sites
Twin Buttes Reservoir

Other Sites Visited

Dan Speas Rearing Station
Game and Fish Laboratory
Glendo State Park
Tom Thorne/Beth Williams Wildlife Research Center at Sybille
Wyoming State Veterinary Laboratory

**WYOMING GAME AND FISH DEPARTMENT
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

| Recommendations | Status | Action Required |
|---------------------------|---|--|
| A.1 and A.2 | Resolved and implemented | No further action required |
| B | FWS management concurs with the recommendation, 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 recommendation, 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 December 26, 2008) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation. |
| C (Repeat recommendation) | Repeat Recommendation A.3 from our prior report (R-GR-FWS-0030-2003). PMB considers this recommendation resolved but not implemented. | Provide documentation regarding the implementation of this recommendation to PMB. |

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