



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

**Report No. R-GR-FWS-0011-2008**

**March 2009**



# United States Department of the Interior

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

March 10, 2009

## AUDIT REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Suzanna I. Park *Suzanna I. Park*  
Director of External Audits

Subject: Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New Mexico, Department of Game and Fish, From July 1, 2005, Through June 30, 2007 (No. R-GR-FWS-0011-2008)

This report presents the results of our audit of costs incurred by the State of New Mexico (State), Department of Game and Fish (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 (Program). The audit included claims totaling approximately \$31.8 million on 52 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 identified \$198,464 in questioned costs. The questioned costs resulted from lack of support for the value of volunteer instructor hours claimed as the required State matching share of grant costs. We also found that information in the Department's land records was not reconciled with information in records maintained by FWS.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 2 responses after each recommendation, as well as our comments on the responses. FWS considers recommendations A.1, A.2 and B.1 implemented based on their review of documentation and the Department's response. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by June 8, 2009. 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, W. S. Streifel, or me at 703-487-5345.

cc: Regional Director, Region 2, U.S. Fish and Wildlife Service

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# Introduction

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## Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> established the Wildlife and Sport Fish Restoration Program. Under the Program, FWS provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the State's fish and game agency. Finally, federal regulations and FWS guidance require States to account for any income they earn using grant funds.

## Objectives

Our audit objectives were to determine if the Department:

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and the grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with federal regulations.

## Scope

Audit work included claims totaling approximately \$31.8 million on the 52 grants that were open during State fiscal years (SFYs) 2006 and 2007 ended June 30 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department Headquarters office in Santa Fe, NM, and visited two area offices, three wildlife management areas, two hatcheries and one motor boat access (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments 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. To the extent possible, we relied on the work of the certified public accounting firm who conducted the annual audits of the Department and which helped to avoid duplication of audit effort. We believe that the evidence obtained from our tests and procedures and the work of other auditors 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
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions recorded in these systems for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of Department operations.

## **Prior Audit Coverage**

On September 2, 2005, we issued “Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of New Mexico, Department of Game and Fish from July 1, 2002, through June 30, 2004” (No. R-GR-FWS-0001-2005). We followed up on all recommendations in the report and found that U. S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considers recommendations A.1 and A.2 resolved but not implemented. We did not identify any conditions during our current audit that warrant repeating the findings from the prior audit or repeating the open recommendations, but we note that PMB cannot classify recommendations as resolved and implemented (i.e., closed) until they receive adequate documentation supporting that classification.

In addition, we reviewed Single Audit Reports of the New Mexico Department of Game and Fish for SFYs 2006 and 2007 and determined that the Department's Wildlife and Sport Fish Restoration Program was not selected for review and no findings related to the Department's administration of the Program.

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## Results of Audit

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### Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we identified two conditions that resulted in the findings listed below, including questioned costs totaling \$198,464. We discuss the findings in more detail in the Findings and Recommendations Section.

- **Questioned Costs.** The Department’s Hunter Education primary instructor did not require volunteer instructors to certify the hours they donated to the Department, the value of which the Department claimed to meet, in part, its required State matching share of grant costs.
- **Inadequate Land Management Control.** The Department did not reconcile information in its land records with information in records maintained by FWS.

### Findings and Recommendations

#### A. Questioned Costs — \$198,464

Under the Program, States must use “State matching” (non-federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. The State’s matching share of costs on its Hunter Education grants was partially composed of non-cash (“in-kind”) contributions. The contributions consisted of the value of volunteer instructor hours. For Hunter Education grants W-120-S-34 and W-120-S-35, the Department had inadequate documentation to support the volunteer hours claimed. Each instructor should have, but did not, certify his or her time worked. Instead, the Department used as support a report that was prepared by its primary instructors and which summarized volunteer hours.

The Code of Federal Regulations (2 C.F.R. § 225.55, Appendix A, C.1.j), which outlines basic guidelines on cost principles, states that for a cost to be allowable under federal awards, the cost must be adequately documented. In addition, 43 C.F.R. § 12.64(b)(6), which outlines requirements for matching or cost sharing records, states that, to the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocation of regular personnel costs. The Department also has responsibility for the accuracy and completeness of its reports.

Although the primary instructors certified their own hours in the summary reports submitted to the Department, the volunteer instructor hours were not certified because the Department’s primary instructors did not require subordinate volunteer instructors to certify their time. Department management presumed that the summary reports were adequate since the reports had never been examined and questioned in the past.

The Department claimed in-kind contributions totaling \$421,560 as matching costs for Hunter Education Grants (\$282,186 for grant W-120-S-34 and \$139,374 for grant W-120-S-35.) We could not determine the allowable hours because the primary instructor's hours were co-mingled with the volunteer instructor hours in the summary report. To determine the amount of questioned costs for each grant, we:

- reduced the total grant outlays claimed by the amount of unsupported in-kind contributions;
- calculated the allowable federal share of grant costs by taking 75 percent of the revised grant outlays; and
- subtracted the revised allowable federal share from the original federal share claimed.

Based on our calculations, we are questioning \$198,464 of grant reimbursements (\$176,645 for Grant W-120-S-34 and \$21,819 for Grant W-120-S-35).

### **Recommendations**

We recommend that FWS:

1. resolve the \$198,464 of questioned costs and
2. require the Department to establish and implement procedures requiring volunteer instructors to certify their hours worked.

### **Department Response**

Department officials provided additional support to FWS Region 2 officials for the in-kind amounts claimed, and developed documentation to ensure that instructor hours used to calculate the value of the in-kind contributions met the non-federal matching requirement.

### **FWS Response**

FWS Regional officials concurred with the recommendations and actions taken by the Department. Based on information presented for the In-Kind Contributions, FWS determined that the Department met the non-federal matching requirement.

### **OIG Comments**

Based on the Department and FWS responses and actions taken, we consider recommendations A.1 and A.2 resolved and implemented. No further action is necessary.



## **B. Inadequate Land Management Control**

Grantees are responsible for ensuring that lands acquired with Program grant funds are used for the purposes for which they were acquired. To meet these requirements, the Department must ensure its database of real property is accurate and reconciles with land records maintained by FWS. However, the Department had not reconciled its land records with those maintained by FWS.

Federal regulations (43 C.F.R. § 12.60(b)(3) and 50 C.F.R. § 80.18(c)) require that grantees adequately safeguard all property and ensure it is used only for the purposes for which it was acquired. In addition, FWS reiterated land records management requirements to Program participants in a March 29, 2007 letter. The letter requested that States ensure that they have a comprehensive inventory. The letter also requested that States assess whether field managers and realty staff had specific knowledge and a monitoring system to ensure lands purchased with federal funds were used for originally intended purposes.

The Department lacks routine procedures to reconcile its real property inventory data with data maintained by FWS. Personnel at the FWS regional office also stated that they needed the Department's official list of real property acquired with Program grant funds. Without accurate records the Department cannot ensure accountability and control of land purchased with Program grant funds.

### **Recommendations**

We recommend that FWS ensure the Department:

1. provides FWS with its official list of real property acquired with Program grant funds, and
2. reconciles its land records with records maintained by FWS and establishes procedures to periodically reconcile its land records with FWS records.

### **Department Response**

The Department stated that it is working with FWS to reconcile its land records.

### **FWS Response**

FWS Regional officials concurred with the recommendations, stated that the Department's land records have been provided, and are in the process of reconciliation.

### **OIG Comments**

Based on the Department and FWS responses, we consider recommendation B.1 resolved and implemented. No further action is necessary.

Recommendation B.2 is considered resolved, but not implemented. While FWS regional management concurred with the recommendation, additional information is needed in the corrective action plan including:

- the specific actions taken or planned to address the recommendation;
- 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 Department.

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

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)	
			Unsupported	Total
<b>F-55-DL-20</b>	\$676,500	\$676,193		
<b>F-55-DL-21</b>	566,500	578,091		
<b>F-57-E-17</b>	284,533	282,461		
<b>F-57-E-18</b>	283,164	329,353		
<b>F-66-M-4</b>	5,221,027	7,064,538		
<b>F-66-M-5</b>	1,290,000	2,253,639		
<b>F-67-R-4</b>	131,666	148,069		
<b>F-68-R-4</b>	471,834	483,409		
<b>F-69-R-4</b>	440,000	517,375		
<b>F-70-M-4</b>	700,000	967,641		
<b>F-71-B-1</b>	3,200,000	1,206,180		
<b>F-74-D-1</b>	1,200,000	1,584,839		
<b>F-75-D-1</b>	2,666,667	179,586		
<b>F-76-M-1</b>	230,000	347,940		
<b>F-77-M-1</b>	79,000	52,030		
<b>F-78-R-1</b>	105,000	11,103		
<b>F-79-R-1</b>	34,512	12,184		
<b>F-80-R-1</b>	102,500	46,419		
<b>F-81-M-1</b>	192,000	123,219		
<b>F-82-M-1</b>	55,000	19,074		
<b>F-83-R-1</b>	135,000	46,891		
<b>F-84-R-1</b>	100,000	154,375		
<b>F-85-P-1</b>	75,000	8,942		
<b>FW-14-C-64</b>	229,000	269,599		
<b>FW-14-C-65</b>	81,833	68,830		
<b>FW-14-C-66</b>	307,500	306,490		
<b>FW-17-R-33</b>	494,000	513,432		
<b>FW-17-RD-34</b>	504,000	473,739		
<b>FW-24-TG-20</b>	590,104	575,157		
<b>FW-24-TG-21</b>	720,500	690,001		
<b>FW-26-DL-14</b>	841,250	1,138,853		

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

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)	
			Unsupported	Total
<b>FW-26-DL-15</b>	1,223,440	1,331,409		
<b>W-120-S-34</b>	1,128,743	1,175,403	\$176,645	\$176,645
<b>W-120-S-35</b>	557,495	667,776	21,819	21,819
<b>W-137-R-6</b>	39,000	35,729		
<b>W-137-R-7</b>	39,000	51,912		
<b>W-138-R-4</b>	216,500	183,225		
<b>W-138-R-5</b>	154,500	79,878		
<b>W-139-R-4</b>	161,000	165,076		
<b>W-139-R-5</b>	218,000	160,917		
<b>W-140-R-4</b>	103,000	18,869		
<b>W-140-R-5</b>	100,500	51,743		
<b>W-141-R-2</b>	195,200	149,796		
<b>W-141-R-3</b>	48,000	-		
<b>W-143-R-1</b>	35,350	9,295		
<b>W-143-R-2</b>	32,650	23,370		
<b>W-144-R-1</b>	75,384	81,963		
<b>W-144-R-2</b>	50,384	53,227		
<b>W-93-R-47</b>	2,868,000	2,603,786		
<b>W-93-R-48</b>	2,887,997	2,379,509		
<b>W-99-D-46</b>	785,112	685,505		
<b>W-99-D-47</b>	720,760	712,045		
<b>Totals</b>	<b>\$33,648,105</b>	<b>\$31,750,085</b>	<b>\$198,464</b>	<b>\$198,464</b>

**NEW MEXICO DEPARTMENT OF GAME AND FISH  
SITES VISITED**

**Department of Game and Fish Headquarters**

Santa Fe, New Mexico

**Department of Game and Fish Area Offices**

NW Area - Albuquerque

SE Area - Roswell

**Wildlife Management Areas, Hatcheries, and Motor Boat Access**

Los Ojos Hatchery

Los Ojos WMA

Rio Chama WMA

Santa Rosa Fish Hatchery

Sargent WMA

Ute Lake State Park MBA

**NEW MEXICO DEPARTMENT OF GAME AND FISH  
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
A.1, A.2, and B.1.	Resolved and implemented.	FWS concurs with the findings and recommendations and corrective actions have been implemented. No further action is required.
B.2	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 specific actions taken or planned to address the recommendation, targeted completion date(s), titles of officials responsible for the specific actions taken or planned, and verification that FWS headquarters officials reviewed and approved of action(s) taken or planned by the State. We will refer the recommendation not resolved and/or implemented at the end of 90 days (after June 8, 2009) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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