



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 South Dakota,
Department of Game, Fish and Parks,
From July 1, 2006,
Through June 30, 2008



United States Department of the Interior

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

April 17, 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 South Dakota, Department of Game, Fish and Parks, From July 1, 2006, Through June 30, 2008 (No. R-GR-FWS-0002-2009)

This report presents the results of our audit of costs incurred by the State of South Dakota (State), Department of Game, Fish and Parks (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 \$25.8 million on 40 grants that were open during State fiscal years (SFYs) ended June 30, 2007 and 2008 (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 several instances where the Department had lost control of some of its lands.

We provided a draft report to the FWS for a response. We summarized the Department and FWS responses after the recommendations, as well as our comment on the responses. We list the status of each recommendation in Appendix 3.

Please respond in writing to the finding and recommendations included in this report by July 16, 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, Tom Nadsady, 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 \$25.8 million on the 40 grants that were open during SFYs ended June 30, 2007 and 2008 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Pierre, SD, and visited two regional offices, six Game Production Areas (GPAs), two fishing access sites, one fish hatchery, one outdoor education center, one shooting range, and one privately leased hunting access site (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 as necessary under the circumstances. We believe that the evidence obtained from our tests and

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

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
- 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 April 22, 2004, we issued “Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of South Dakota, Department of Game, Fish and Parks from July 1, 2001 through June 30, 2003” (No. R-GR-FWS-0026-2003). We followed up on all recommendations in the report and found that the Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them to be resolved and implemented.

We reviewed South Dakota’s Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2006 and 2007. The Department’s Wildlife and Sport Fish Restoration Program was selected for testing in SFY2006 but not in SFY2007. Neither of the reports contained any findings that would directly impact the Department’s Wildlife and Sport Fish Restoration Program grants or programs under the grants.

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 instances where the Department has allowed encroachments upon its lands. We discuss the finding in more detail in the Finding and Recommendations Section.

Finding and Recommendations

A. Loss of Control Over Real Property

The Department is required to ensure lands acquired with Program funds and license revenue are perpetually used for hunting and fishing purposes. However, we found that the Department was aware of land encroachments but considered them a lower priority and took no action to correct or mitigate the deficiencies. As a result, the Department has lost control over real property in several instances. For example:

- Under a Memorandum of Agreement² (MOA), the Department's Parks and Wildlife Divisions divided the management, operations, and maintenance responsibilities for their lands to improve efficiency. As a result, the Parks Division granted the City of Madison a legal easement to build a bike trail at the Johnson's Point fishing access site, even though that property was purchased with Program funds. Managers in the Wildlife Division informed us that the Parks Division did not obtain their approval for the easement and that the MOA should be renegotiated to ensure that the Wildlife Division's lands are not managed as recreational properties.
- Under the MOA's management authority, the Parks Division issued an adjoining landowner a permit to access his property from Johnson's Point. Even though the permit was not renewed after 2005, the landowner still crosses the Wildlife Division's land and accesses his land through an unauthorized gate in fence line dividing the two properties.
- At the Clear Lake GPA, five adjoining landowners have built structures (sheds, trailer house, and garage) and stored a truck and boats on the GPA.
- At the Dry Lake No. 2 GPA, an adjoining landowner has stored farm equipment and a grain bin on the Department's land.
- At the Wentworth GPA, an adjoining landowner planted crops on the Department's land and on a road that blocks hunters' access to the GPA.

² The "Memorandum of Agreement Between the Division of Game and Fish and the Division of Parks and Recreation of the Department of Game, Fish and Parks on the Subject of the Motor Boat Fuel Fund and Associated Land Management Transfers" was dated November 14, 1977 and amended in 1992.

According to the Code of Federal Regulations (50 C.F.R. § 80.18(c)), the Department is responsible for “The accountability and control of all assets to assure that they serve the purpose for which acquired throughout their useful life.” Furthermore, the Fish and Wildlife Service Manual, in 522 FW 20.4A and 20.6A, states that when the State fish and wildlife agency loses management control of property purchased with Program funds or license revenue, control must be fully restored to the agency. Otherwise, the real property must be replaced using non-Program funds or the license revenue must be restored to the State agency.

Recommendations

We recommend that FWS work with the Department to:

1. resolve the encroachment issues on lands purchased with Program funds and license revenue, and
2. establish a procedure to periodically review its lands for encroachments and resolve any identified issues.

Department Response

The Department disagreed with the wording in the report regarding the handling of encroachment issues stating that it may have been reflective of one individual, but not the Department. The Department recommended that the final report wording be changed from “immaterial” to “lower priority.”

FWS Response

The FWS acknowledges the recommendations and did not comment on the finding or the recommendations.

OIG Comment

Based on the Department's response we agreed to change the word “immaterial” to “lower priority.” 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 recommendations;
- target 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.

**STATE OF SOUTH DAKOTA
DEPARTMENT OF GAME FISH AND PARKS
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006, THROUGH JUNE 30, 2008**

Grant Number	Grant Amount	Claimed Costs
F-15-R-41	\$571,225	\$412,347
F-15-R-42	559,248	477,015
F-15-R-43	763,632	150,842
F-21-R-39	1,162,050	1,120,775
F-21-R-40	1,164,810	1,058,428
F-21-R-41	1,220,810	391,993
F-38-DB-40	1,806,968	1,344,556
F-38-DB-41	296,023	236,197
F-38-DB-42	1,522,264	1,188,447
F-38-DB-43	183,425	115,194
F-38-DB-44	1,571,599	323,551
F-38-DB-45	752,000	28,649
F-41-D-16	988,761	892,936
F-41-D-17	980,917	965,227
F-41-D-18	1,099,616	553,674
F-43-D-18	32,600	5,551
F-43-D-19	330,000	224,520
F-43-D-20	400,795	231,398
F-45-E-20	161,000	114,045
F-45-E-21	196,500	120,058
F-111-D-1	2,230,439	2,192,301
F-113-R-1	95,698	23,759
W-75-R-49	864,023	736,878
W-75-R-50	769,423	719,644
W-81-D-48	1,817,175	2,076,185
W-81-D-49	2,064,857	2,084,729
W-81-D-50	1,865,787	846,702
W-95-R-40	866,800	465,783
W-95-R-41	840,800	563,606
W-95-R-42	840,800	181,362
W-96-E-35	346,207	248,092
W-96-E-36	602,382	529,439
W-96-E-37	403,880	124,433

**STATE OF SOUTH DAKOTA
DEPARTMENT OF GAME FISH AND PARKS
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006, THROUGH JUNE 30, 2008**

Grant Number	Grant Amount	Claimed Costs
W-117-L-16	2,401,182	2,115,174
W-117-L-17	2,243,865	2,291,096
W-117-L-18	2,165,543	55,727
W-142-E-3	212,467	178,115
W-142-E-4	213,333	43,498
W-144-R-2	92,975	41,507
W-145-L-1	292,500	292,500
TOTALS	\$36,994,379	\$25,765,933

**STATE OF SOUTH DAKOTA
DEPARTMENT OF GAME, FISH AND PARKS
SITES VISITED**

Headquarters

Pierre

Regional Offices

Aberdeen/Watertown

Sioux Falls

Game Production Areas

Clear Lake

Dry Lake No. 2

Gerkin

North Sutton

Rice Lake

Wentworth

Fishing Access

Johnson's Point at Lake Madison

North Sutton

Other Areas

A Sully county privately leased waterfowl hunting area

Brown County Sportsman's Club Shooting Range

Cleghorn Springs State Fish Hatchery

The Outdoor Campus, Sioux Falls

**STATE OF SOUTH DAKOTA
DEPARTMENT OF GAME, FISH AND PARKS
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

Recommendations	Status	Action Required
A.1 and A.2	FWS acknowledges the recommendations but additional information is needed as outlined in the “Action Required” column.	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 Department. We will refer recommendations not resolved and/or implemented at the end of 90 days to (after July 16, 2009) to the Assistant Secretary for Policy, Management and Budget, for resolution and/or tracking of implementation.

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