



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 Arkansas,
Game and Fish Commission,
From July 1, 2005, Through June 30, 2007**

**Report No.
R-GR-FWS-0012-2008**

August 2009



United States Department of the Interior

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

August 5, 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 Arkansas, Game and Fish Commission, From July 1, 2005, Through June 30, 2007 (No. R-GR-FWS-0012-2008)

This report presents the results of our audit of costs incurred by the State of Arkansas (State), Game and Fish Commission (Commission), 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 \$45.3 million on 82 grants that were open during State fiscal years (SFYs) ended June 30 of 2006 and 2007 (see Appendix 1). The audit also covered Commission 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 Commission complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$37,010 from charges to the grants for ineligible, improperly allocated, or unsupported costs. We also found that the Commission did not have adequate controls over real property and equipment.

We provided a draft report to FWS for a response. We summarized the Commission and FWS responses and provided our comments on the responses after the recommendations. Appendix 3 lists the status of the recommendations.

Please respond in writing to the findings and recommendations included in this report by November 3, 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, Peter Rich, 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)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 Commission:

- 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 \$45.3 million on the 82 grants that were open during SFYs ended 2006 and 2007 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Commission headquarters in Little Rock, AR, and visited four regional offices, six wildlife management areas, one fish hatchery, one firing range, and one nature center (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

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

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

Our tests and procedures included:

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

Prior Audit Coverage

On May 20, 2005, we issued “Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Arkansas, Game and Fish Commission, from July 1, 2001, through June 30, 2003” (No.R-GR-FWS-0006-2004). We followed up on all recommendations in the report and considered them to be resolved and implemented. None was referred to the Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget for tracking.

We also reviewed Arkansas’ Comprehensive Annual Financial Reports and the Single Audit Reports for SFYs 2006 and 2007. None of the reports included findings for the State of Arkansas Game and Fish Commission that related to the FWS Wildlife and Sport Fish Restoration Program.

Results of Audit

Audit Summary

We found that the Commission 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 \$37,010. We discuss the findings in more detail in the Findings and Recommendations Section.

Questioned Costs. We questioned \$37,010 in costs claimed on four grants. These costs were ineligible, improperly allocated, or unsupported charges to the grants.

Unreconciled Real Property Records. We found discrepancies between the real property records for the Commission and FWS because they had not reconciled their respective records.

Inadequate Equipment Management. The Commission's field employees did not consistently attach property identification tags to equipment, as required by the Commission's Equipment Inventory Procedures.

Findings and Recommendations

A. Questioned Costs — \$37,010

The Commission claimed costs of \$49,346 (federal share \$37,010) under four grants that were ineligible, improperly allocated, or unsupported. Specifically, the Commission charged:

- \$5,000 (federal share \$3,750) to the Statewide Fisheries Management Grant (F-42-20) for repairs to a private road unassociated with the grant;
- \$5,341 (federal share \$4,006) to the Fish Culture and Stocking Grant (F-43-21) to build a privacy fence around a hatchery manager's residence, although the grant's objective was to increase fish populations;
- \$17,175 (federal share \$12,881) to the Fish and Wildlife Coordination Grant (FW-1-51) for all of its costs incurred under the State's Single Audit, even though the audit covered both Program and non-Program grants; and
- \$21,830 (federal share \$16,373) to the Hunter Safety Grant (W-1-35) without maintaining a supporting invoice.

The Code of Federal Regulations (2 C.F.R. § 225, Appendix A, Subsections C.1.a, b, and j) specifies that allowable costs must be necessary and reasonable, be allocable to the award only if they provide a benefit to the grant, and be adequately supported.

These issues occurred because the Commission (1) did not follow its procedures to ensure that expenditures are allowable under the grant agreement; (2) did not have a method of equitably allocating costs that benefit more than one cost objective; and (3) did not have a process to ensure that it maintains sufficient supporting documentation for grant expenditures. As a result, we are questioning \$37,010, the federal share of ineligible, improperly allocated, and unsupported costs charged to the Program grants, as shown in the table below.

Grant Number	Nature of Questioned Cost	Questioned Cost	
		Total	Federal Share
F-42-20	Ineligible	\$5,000	\$ 3,750
F-43-21	Ineligible	5,341	4,006
FW-1-51	Improperly Allocated	17,175	12,881
W-1-35	Unsupported	21,830	16,373
Total		\$49,346	\$37,010

Table - Questioned Costs Charged to Program Grants

Recommendations

We recommend that FWS require the Commission to:

1. resolve the \$37,010 in questioned costs; and
2. follow its procedures to ensure that expenditures are necessary in accomplishing approved project purposes, develop a method to allocate portions of expenditures that benefit more than one cost objective, and develop a process to ensure that sufficient supporting documentation is maintained for grant expenditures.

Commission Response

The Commission acknowledged the error on Grant F-42-20. Since the Commission had overshare on the grant, Commission officials agreed to submit a revised SF-269 if deemed necessary by FWS.

The Commission believed the questioned costs on Grant F-43-21 was allowable. However, Commission officials acknowledged that since there was significant overshare on this grant, the Commission would submit a revised SF-269.

The Commission also believed the amount questioned on Grant FW-1-51 was allowable and noted that the auditor's sample included only Program grants. Additionally, the Commission responded that the "statement that the 'audit covered both Program grant

and unrelated activities’ is unclear and the phrase ‘unrelated activities’ needs to be clarified or struck from the report.”

Regarding the unsupported costs on Grant W-1-35, the Commission stated this particular invoice has been misfiled. The Commission located the purchase order and determined the cost was for 15,000 hunter education’s student manuals. The Commission had provided copies of the purchase order, purchase order issue log, invoice register, and the State warrant. Although the actual invoice is still misfiled, the supplemental information indicates that the cost was eligible expenditure under the grant.

FWS Response

FWS concurred with the recommendation regarding the questioned costs on Grant F-42-20 and stated that a revised SF-269 excluding these costs would be requested from the Commission. This action would be noted in a pending Corrective Action Plan.

FWS acknowledged the recommendations regarding the questioned costs on Grants F-43-21, FW-1-51, and W-1-35 and stated that they will be addressed in detail in the pending Corrective Action Plan.

OIG Comments

We agree with the Commission’s proposed actions to exclude the questioned costs and submit revised SF-269s for Grants F-42-20 and F-43-21.

Regarding the questioned Single Audit costs from Grant FW-1-51, we have not received documentation to definitely show that the auditors only reviewed the Program grants. However, we did clarify the sentence questioned by the Commission.

We acknowledge that the costs questioned on Grant W-1-35 appear to be eligible expenses. However, the Commission was not able to provide this invoice, which is a key document to fully support both the cost and type of goods received. Furthermore, this cost was rather significant to the grant.

Based on both the Commission and FWS responses, 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 Commission.

B. Unreconciled Real Property Records

The Commission and FWS each maintain records on land purchased with Program grants; however, these two sets of records have not been reconciled. The Commission's inventory of property acquired with Program grant funds and license revenues identified approximately 264,761 acres with an acquisition cost of approximately \$19.8 million. Conversely, FWS' land records show approximately 210,790 acres costing approximately \$17.3 million.

The C.F.R. (50 C.F.R. § 80.18) and the FWS Manual (522 FW 1.15) require each State to maintain accountability and control of all assets to assure that the assets are used for the purpose for which they were acquired throughout their useful life. Under 50 C.F.R. § 80.4, these requirements are extended to assets acquired with license revenues. Furthermore, the FWS Director issued a letter in March 2007 requesting each State to maintain a real property management system that included a comprehensive inventory of lands and to ensure that this inventory is accurate and complete.

Commission and FWS officials acknowledged that they had not reconciled their respective land inventories to determine their accuracy and completeness. In fact, Commission officials were not aware of the Director's letter regarding the reconciliation. As a result, there is no assurance that Commission and FWS land inventory records accurately account for all lands acquired with Program grant funds or license revenues.

Recommendation

We recommend that FWS require the Commission to reconcile its real property records with FWS.

Commission Response

The Commission stated that it had not received a written request from FWS to reconcile its land records with FWS. The Commission also responded that the original sentence regarding the adequacy of its records was misleading. The Commission stated that its records show substantially more acres and dollars than FWS because the Commission has acquired lands with non-grant dollars and donations.

FWS Response

FWS concurred with the recommendation and stated it would work with the Commission to reconcile both sets of real property records. However, FWS did request removal of a sentence regarding the adequacy of the Commission's land records because it did not agree with the wording.

OIG Comments

Based on the Commission and FWS responses, we clarified our statement about the adequacy of the Commission's land records. In response to the Commission's statement regarding Commission records having more acreage and dollars, we specifically stated land acquired with grant funds and/or license revenue. We did not include land acquired through other means in our comparison.

Based on both the Commission and FWS responses, additional information is needed in the corrective action plan including:

- the specific action(s) taken or planned to address the recommendation;
- 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 Commission.

C. Inadequate Equipment Management

Federal regulations require each State to have adequate controls to ensure it maintains accountability for its equipment. In order to test the Commission's controls, we selected 150 equipment items costing \$784,691 from the Arkansas Administrative Statewide Information System. During our tests, we found that 22 pieces of equipment, costing \$143,840, did not have property tags. Without such tags, the Commission cannot ensure that its equipment is used only for authorized purposes. This inadequate control also increases the risk that equipment could be lost or misplaced.

In 43 C.F.R. § 12.72(b), States are required to maintain accurate equipment records and follow their own procedures. The Commission's Equipment Inventory Procedures requires property number tags to be affixed to State equipment.

This issue occurred because field employees did not follow the Commission's policy to attach property identification tags to equipment or did not paint or inscribe the number on the equipment in lieu of attaching the tags.

Recommendation

We recommend that FWS ensure that the Commission follows its procedures to tag all equipment.

Commission Response

Commission officials understood that all items were accounted for and believed that the untagged items were an atypical result. They acknowledged they would take steps to address the issue statewide.

FWS Response

FWS concurred with the recommendation, stating that follow-up is in progress, and will be explained in a pending Corrective Action Plan.

OIG Comments

Based on both the Commission and FWS responses, additional information is needed in the corrective action plan including:

- the specific action(s) taken or planned to address the recommendation;
- 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 Commission.

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

GRANT NUMBER	GRANT AMOUNT	CLAIMED COSTS	QUESTIONED COSTS (FEDERAL SHARE)		
			UNALLOWABLE	UNSUPPORTED	TOTAL
F-42-20	\$871,200	\$1,006,676	\$3,750		\$3,750
F-42-21	815,000	840,221			
F-42-22	815,000	267,964			
F-43-20	2,877,500	4,010,681			
F-43-21	3,400,000	3,879,953	4,006		4,006
F-43-22	3,333,000	620,849			
F-62-13	800,000	831,394			
F-62-14	800,000	830,974			
F-62-15	800,000	499,082			
F-65-7	1,356,000	1,510,721			
F-65-8	820,710	628,668			
F-66-6	800,000	862,957			
F-66-7	810,668	866,081			
F-69-2	66,668	53,344			
F-75-1	330,080	594,082			
F-76-3	397,000	470,367			
F-76-4	340,000	358,460			
F-77-3	136,533	152,981			
F-78-3	145,013	145,012			
F-79-1	73,000	73,109			
F-80-1	1,500,000	1,500,000			
F-82-1	100,000	100,999			
F-83-1	80,000	96,264			
F-84-1	72,500	74,045			
F-85-1	551,999	385,514			
F-86-B-1	74,650	56,115			
F-89-B-2	104,000	85,148			
F-90-1	104,615	128,609			
F-91-B-1	120,000	120,185			
F-92-1	442,000	574,398			
F-93-B-1	102,167	146,252			
F-104-1	100,000	117,508			
F-105-2	16,000	16,000			

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

GRANT NUMBER	GRANT AMOUNT	CLAIMED COSTS	QUESTIONED COSTS (FEDERAL SHARE)		
			UNALLOWABLE	UNSUPPORTED	TOTAL
F-105-3	\$16,000	\$21,782			
F-106P-2	105,000	407,793			
F-106P-3	100,000	315,412			
F-107-D-1	454,000	177,895			
F-108-M-1	35,000	29,341			
F-109-D-1	67,000	67,000			
F-110-D-1	44,000	77,973			
F-111-B-1	94,200	86,770			
F-112-R-1	40,000	35,000			
F-113-DEO-1	100,000	24,972			
F-114-B-1	179,500	1,951			
F-115-D-1	80,000	98			
F-116-B-1	107,025	0 ²			
F-117-D-1	35,000	0 ²			
F-118-DB-1	52,000	0 ²			
F-119-DB-1	17,000	0 ²			
F-120-DB-1	81,000	0 ²			
F-121-DB-1	73,000	0 ²			
FW-1-49	178,400	197,977			
FW-1-50	178,400	178,469			
FW-1-51	181,333	131,668	\$12,881		\$12,881
FW-6-31	250,666	330,076			
FW-6-32	262,667	345,047			
FW-6-33	264,667	196,360			
FW-7-1	80,000	82,805			
FW-8-D-1	236,000	220,041			
W-1-34	515,410	620,021			
W-1-35	450,828	715,368		\$16,373	16,373
W-1-36	400,000	400,000			
W-63-L-3	33,000	40,851			
W-64-36	3,750,000	4,691,915			
W-64-37	4,750,000	6,993,779			

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

GRANT NUMBER	GRANT AMOUNT	CLAIMED COSTS	QUESTIONED COSTS (FEDERAL SHARE)		
			UNALLOWABLE	UNSUPPORTED	TOTAL
W-64-38	\$4,818,000	\$3,230,748			
W-69-30	90,000	91,293			
W-69-31	90,000	102,786			
W-69-32	90,667	72,515			
W-84-1	52,496	46,164			
W-84-2	67,976	54,663			
W-88-2	384,000	361,884			
W-89-2	575,000	569,252			
W-89-3	757,300	543,655			
W-92-E-1	38,691	12,348			
W-93-R-1	197,000	197,018			
W-94-M-1	38,000	42,726			
W-95-R-1	300,000	297,075			
W-96-M-1	260,650	268,911			
W-97-M-1	1,237,500	713,344			
W-98-L-1	341,950	374,299			
W-99-E-1	106,666	0 ²			
TOTAL	\$45,812,295	\$45,273,658	\$20,637	\$16,373	\$37,010

² These grants were open during the time of our review, but the Commission had not claimed any costs for them at the time of our review.

**ARKANSAS GAME AND FISH COMMISSION
SITES VISITED**

Headquarters

Little Rock

Regional Offices

East Central

Hot Springs

North Central

Northeast

Wildlife Management Areas

Dave Donaldson Black River

Gene Rush

Gulf Mountain

McIlroy Madison County

Sheffield Nelson Dagmar

William Brewer / Scatter Creek

Other Sites

Dr. James E. Moore Jr. Camp Robinson Firing Range

Governor Mike Huckabee Delta Rivers Nature Center

William H. Donham State Fish Hatchery

**ARKANSAS GAME AND FISH COMMISSION
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

Recommendations	Status	Action Required
A.1, A.2, B, and C	Resolved and unimplemented	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 Division. We will refer recommendations not resolved and/or implemented at the end of 90 days (after November 3, 2009) to the Assistant Secretary for Policy, Management and Budget, for resolution and/or tracking of implementation.

Report Fraud, Waste, Abuse, and Mismanagement



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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:

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