



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 Commonwealth of Puerto Rico,
Department of Natural and Environmental Resources,
From July 1, 2006, Through June 30, 2008**

**Report No.
R-GR-FWS-0009-2009**

December 2009



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230

Reston, VA 20191

December 3, 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 Commonwealth of Puerto Rico, Department of Natural and Environmental Resources, From July 1, 2006, Through June 30, 2008 (No. R-GR-FWS-0009-2009)

This report presents the results of our audit of costs claimed by the Commonwealth of Puerto Rico (Commonwealth), Department of Natural and Environmental Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$15.1 million on 69 grants that were open during Commonwealth fiscal years (CFYs) ended June 30 of 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 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 had not assented to the Sport Fish Restoration Act. Furthermore, the Department did not exercise effective control over two tracts of land purchased with Program funds or reconcile its real property records with FWS.

Prior to the commencement of our audit, the Department had not reported program income earned on the Hunter Education grant. However, the Department revised the financial status report to reflect program income before we completed our audit fieldwork. We therefore determined that no recommendation regarding this issue was necessary.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 4 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 March 3, 2010. 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 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 States² 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. For certain government entities, including the Commonwealth, the Acts allow for full reimbursement of 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.³ 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 hunting license revenues solely for wildlife program activities; and
- reported and used program income in accordance with federal regulations.

Scope

Audit work included claims totaling approximately \$15.1 million on the 69 grants that were open during CFYs ended June 30, 2007 and 2008 (see Appendix 1). We report only on those conditions that existed during this audit period. We conducted our audit at Department headquarters in San Juan, PR, and visited one nature reserve, one boat ramp, two reservoirs, and one fish hatchery (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.

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

² The Acts define the term "State" to include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

³ The Commonwealth does not require fishing licenses at this time.

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 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, 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 license revenues solely for administration of its fish and game agency; and
- determining whether the Commonwealth 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 the Department’s operations.

Prior Audit Coverage

On September 19, 2005, we issued “Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Commonwealth of Puerto Rico, Department of Natural and Environmental Resources, from July 1, 2001, through June 30, 2003” (No. R-GR-FWS-0014-2004). We followed up on all nine recommendations in the report and found that the Department of the Interior, Office of Assistant Secretary for Policy, Management and Budget (PMB) considers four recommendations closed and five recommendations resolved but not implemented. Two of the open recommendations dealt with minor reporting errors on hunting

license certifications, and the other three concerned grant administration, project level accounting, and asset management. We did not identify any conditions during our current audit that warrant repeating the findings from the prior audit, but we note that PMB cannot classify recommendations as implemented until it receives adequate documentation supporting that classification.

We also reviewed the Commonwealth's Single Audit Reports for CFYs ending June 30, 2007 and June 30, 2008. The Department's Wildlife and Sport Fish Restoration Program was selected as a major program for review in the Single Audits, but no opinion was issued.

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 conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

Inadequate Assent Legislation. The Department had not assented to the provisions of the Sport Fish Restoration Act.

Unreconciled Real Property Records. We found discrepancies between the real property records maintained by the Department and FWS because they had not reconciled their respective records. As a result, the Department lost administrative control over at least two tracts of land purchased with Program funds.

Findings and Recommendations

A. Inadequate Assent Legislation

The Code of Federal Regulations (C.F.R.), in 50 C.F.R. § 80.3, requires States to pass legislation assenting to the Acts' provisions before participating in the Wildlife and Sport Fish Restoration Program.

The Commonwealth passed legislation that assents to the provisions of the Wildlife Restoration Act but not to the Sport Fish Restoration Act. Department officials did not believe that a specific reference to the Sport Fish Restoration Act was required in the assent legislation. Without adequate assent legislation, the Commonwealth could be deemed ineligible to participate in the Program.

Recommendation

We recommend that FWS require the Department to work with the Commonwealth's legislature to pass legislation assenting to the Sport Fish Restoration Act.

Department Response

The Department did not concur with the finding but stated that it would draft a bill to incorporate suggested language in its assent legislation.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Department in developing proposed language that addresses the requirements of the Sport Fish Restoration Act.

OIG Comments

Based on the 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.

B. Unreconciled Real Property Records

The Department and FWS each maintain records on lands purchased with Program funds. However, these two sets of records contained discrepancies because they had not been reconciled. For instance, the Department's records did not include two tracts of land that were actually purchased with Program funds. As a result, these properties were not administered by the Department and were not under its control.

Under 50 C.F.R. § 80.18, States are responsible for the accountability and control of all assets acquired with Program funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Accordingly, until the Department reconciles its records with FWS and obtains control over all lands purchased with Program funds or license revenue, it cannot ensure that these lands are being used for their intended purposes.

Recommendation

We recommend that FWS ensure the Department reconciles its land records with FWS and obtains control over all lands purchased with Program funds.

Department Response

The Department concurred with the recommendation and has included the tracts in its land inventory.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Department to reconcile the real property records.

OIG Comments

Based on the 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.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006, THROUGH JUNE 30, 2008

Grant Number	Grant Amount	Claimed Costs
F-9-18	\$226,121	\$159,441
F-9-19	225,075	192,938
F-9-20	308,270	12,153
F-16-18	175,216	149,999
F-16-19	161,822	147,846
F-16-20	159,314	147,488
F-24-15	226,508	179,517
F-24-16	291,808	211,090
F-27-15	393,059	314,616
F-27-16	332,173	315,746
F-28-16	39,156	39,156
F-28-17	39,979	0
F-29-15	760,592	579,039
F-29-16	445,837	373,021
F-34-15	325,919	304,255
F-34-16	378,573	638,018
F-34-17	379,674	249,638
F-35-09	788,679	1,127,630
F-35-10	218,762	318,214
F-39-13	35,575	21,790
F-39-14	35,575	23,481
F-39-15	36,710	30,090
F-42-06	200,500	125,092
F-42-07	190,126	125,907
F-42-08	282,789	152,399
F-47-03	309,845	211,473
F-47-04	353,106	312,184
F-47-05	344,485	307,815
F-48-03	83,230	63,535
F-48-04	95,032	66,578

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006, THROUGH JUNE 30, 2008

Grant Number	Grant Amount	Claimed Costs
F-48-05	\$127,124	\$63,446
F-49	702,000	913,914
F-50-02	146,858	146,715
F-50-03	281,572	213,802
F-52-01	205,017	147,875
F-52-02	87,266	72,055
F-52-03	94,336	75,115
F-53R-01	214,873	214,873
F-53R-02	334,531	325,601
F-53-R03	227,422	202,912
F-54R-01	137,268	137,268
F-55-DB-01	788,700	788,700
F-56D-01	480,000	476,039
FW-10-10	171,367	273,942
FW-10-11	299,132	176,131
FW-10-12	232,306	180,207
FW-1-36	329,049	270,982
FW-1-37	832,760	637,488
FW-8-15	305,836	276,787
FW-8-16	148,547	136,652
W-13-17	21,500	16,170
W-13-18	21,500	17,500
W-13-19	19,500	17,500
W-14-16	150,239	62,857
W-14-17	185,734	137,937
W-14-18	232,514	142,903
W-21-09	296,836	297,446
W-21-10	308,487	198,651
W-23-05	133,486	133,486

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006, THROUGH JUNE 30, 2008

Grant Number	Grant Amount	Claimed Costs
W-23-06	\$121,859	\$120,926
W-24-04	90,000	85,996
W-24-05	90,000	90,110
W-24-06	112,000	107,912
W-26-01	188,620	220,165
W-26-02	170,078	163,062
W-26-03	193,754	153,860
W-28R-01	301,877	28,678
W-29R-01	300,646	217,688
W-29R-02	223,646	221,494
TOTALS	\$17,151,750	\$15,064,994

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES**

SITES VISITED

Headquarters

San Juan

Other Sites

Humacao Nature Reserve

Isla de Cabras Boat Ramp

La Plata Reservoir

Lucchetti Reservoir

Maricao Fish Hatchery

Appendix 3

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF NATURAL AND ENVIRONMENTAL RESOURCES
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A and B	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 March 3, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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