



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 American Samoa Government,
Department of Marine and Wildlife Resources,
From October 1, 2006, Through September 30, 2008**

**Report No.
R-GR-FWS-0006-2009**

December 2009



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

December 7, 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 American Samoa Government, Department of Marine and Wildlife Resources, From October 1, 2006, Through September 30, 2008
(No. R-GR-FWS-0006-2009)

This report presents the results of our audit of costs claimed by the American Samoa Government, Department of Marine and Wildlife Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to American Samoa under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$3.3 million on nine grants that were open during fiscal years (FYs) ended September 30 of 2007 and 2008 (see Appendix 1). The audit also covered Department compliance with applicable laws, regulations, and FWS guidelines.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$16,625 for ineligible and unsupported charges to the grants. We also found that the Department (1) did not perform required project-level accounting on six grants, (2) charged the labor of two Department employees to the grants based on budget percentages rather than actual time worked, and (3) did not track the maintenance and usage of property purchased with Program funds in accordance with the applicable grant agreement.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 1 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 8, 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. Tim Horsma, or me at 703-487-5345.

cc: Regional Director, Region 1, 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 American Samoa, 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. 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; and
- reported and used program income in accordance with federal regulations.

Scope

Audit work included claims totaling approximately \$3.3 million on the nine grants that were open during FYs ended September 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 Fagatogo, American Samoa, and visited two boating access sites (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.

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.

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, and drawdowns of reimbursements;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property; and
- determining whether American Samoa passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor 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 March 31, 2005, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the American Samoa Government, Department of Marine and Wildlife Resources, from October 1, 2001, through September 30, 2003" (No. R-GR-FWS-0013-2004). 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 17 recommendations to be resolved and unimplemented. The recommendation pertaining to project level accounting not performed is repeated in this report. We discussed this recommendation in more detail in the Findings and Recommendations section of this report. Documentation on the implementation of repeat recommendation should be sent to PMB.

We reviewed American Samoa's Single Audit report for FY2007 and determined that although the Program grants were not specifically selected for testing, the audit identified significant deficiencies in internal controls related to general accounting and grants administration.

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, including questioned costs totaling \$16,625. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned costs totaling \$16,625 from ineligible expenditures for construction materials and labor and from unsupported fuel costs that were charged to the Program grants.

Project Level Accounting Not Performed. The Department did not capture and record expenditure data at the project level for six grants, as required by the grant agreements for oversight purposes.

Labor Charged to Grants Based on Budget Percentages. The Department based the labor costs of three Department employees on budget percentages rather than the actual time worked on grant-related activities.

Questionable Grant Compliance. Department personnel did not track the maintenance and usage of a research vessel and boat lift purchased with Program funds in accordance with the applicable grant agreement.

Findings and Recommendations

A. Questioned Costs – \$16,625

1. Ineligible Material and Labor Costs – \$14,996

The Department charged costs to four Program grants for the construction of a building to house a conference room and storage area at its headquarters offices. However, these expenses were not related to any of the grants' objectives and were therefore ineligible under the grants. We determined that the Department charged \$11,547 (federal share) for construction materials for the project. In addition, staff informed us that they assisted with the construction during work time and charged their labor to Grants F-2-R-32 and F-11-B-2. Because the staff's timesheets did not sufficiently detail their work activities, the Department could only estimate the ineligible labor costs as \$3,449. (Findings B and C of this audit report discuss problems with the Department's payroll system in detail.)

The Code of Federal Regulations (C.F.R.), in 2 C.F.R. § 225 Appendix A, Subsection C.1, (OMB Circular A-87), lists factors for determining whether costs are allowable.

To be allowable under federal awards, costs must be necessary and reasonable, allocable and authorized, and adequately documented.

According to a Department official, the new facility benefits all of the Department's program areas, most of which are funded by Program grants. The Department therefore allocated the related material and labor costs to various grants even though they were not authorized costs under the grant agreements. We also noted that the Department's policies and procedures were not sufficient to ensure that only costs related to the grant agreements were claimed for reimbursement. As a result, we are questioning a total of \$14,996, the federal share of the ineligible costs, as shown in Table 1.

Grant Number	Materials Charged (Actual Amount)	Labor Charged (Estimated Amount)	Questioned Costs (Federal Share)
F-2-R-31	\$1,400		\$1,400
F-2-R-32	1,733	\$314	2,047
F-11-B-2	5,734	3,135	8,869
FW-1-C-21	2,680		2,680
Total	\$11,547	\$3,449	\$14,996

Table 1. Questioned Costs Related to Ineligible Material and Labor Charges

Recommendations

We recommend that FWS:

1. resolve the \$14,996 in questioned costs, and
2. require the Department to implement policies and procedures to ensure that only costs related to grant objectives are claimed for reimbursement.

Department Response

The Department concurred with the recommendations at the Exit Conference.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department in developing a corrective action plan to resolve the recommendations.

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 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.

2. Unsupported Fuel Costs – \$1,629

The Department uses Program funds to purchase fuel in bulk, which is delivered to the Department of Public Works (Public Works). Public Works issues fuel coupons to the Department so that it can obtain gas for its vehicles on an as-needed basis. However, we noted that Public Works reimburses the Department with coupons amounting to only 95 percent of the Department's actual payment for fuel.

To be allowable under federal awards, 2 C.F.R. § 225 Appendix A, Subsection C.1, (OMB Circular A-87) states that costs must be necessary and reasonable, allocable and authorized, and adequately documented. We found no policies or procedures to justify Public Works' retention of a portion of the Department's fuel coupons. Therefore, we are questioning 5 percent of the Department's payments for fuel as unsupported, amounting to \$1,629 on 8 grants (see Table 2).

Grant Number	Questioned Costs (Federal Share)
F-2-R-31	\$258
F-2-R-32	692
F-10-E-5	116
F-10-E-6	58
FW-1-C-20	77
FW-1-C-21	71
W-1-R-22	191
W-1-R-23	166
Total	\$1,629

Table 2. Questioned Costs Related to Unsupported Fuel Charges

Recommendation

We recommend that FWS resolve \$1,629 in costs questioned as unsupported.

Department Response

The Department concurred with the recommendations at the Exit Conference.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department in developing a corrective action plan to resolve the recommendations.

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 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.

B. Project Level Accounting Not Performed

The Department did not account for grant costs at the project level as required by Federal regulations and the grant agreements for Sportfish Investigation and Conservation (F-2-R-31 and F-2-R-32), Aquatic Education (F-10-E-5 and F-10-E-6), and Wildlife Investigations and Conservation (W-1-R-22 and W-1-R-23). For example, Grant F-2-R-31 consisted of 16 project components, each with a separate budget. Instead of reporting costs by component so that actual costs could be compared to budgeted amounts, the Department accounted for and reported costs for the grant in total.

According to 43 C.F.R. § 12.60(a)(2), a grantee's financial management system must permit the tracing of funds to a level of expenditure sufficient to establish that such funds have been used solely for authorized purposes.

This issue arose because the Department did not have an internal recordkeeping system to accumulate and track costs at the project level. The Department instead assigned each grant a single account in which it recorded expenditures in the accounting system. Without the ability to track expenditures at the project level, neither the Department nor FWS can ensure that funds are spent in accordance with the approved grant and project budgets.

We reported a similar condition in our prior audit report (No. R-GR-FWS-0013-2004, Recommendation E); therefore, we are repeating the applicable recommendation from that report and have made a new recommendation. Implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report.

Repeat Recommendation

We recommend that FWS require the Department to implement a cost accounting system that is sufficient to account for and report grant costs at the project level.

New Recommendation

We recommend that FWS require the Department to determine and report project costs for all Program grants awarded in FYs 2007 and 2008.

Department Response

The Department concurred with the recommendations at the Exit Conference.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department in developing a corrective action plan to resolve the recommendations.

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 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.

C. Labor Charged to Grants Based on Budget Percentages

Three Department employees perform work under more than one Program grant throughout the fiscal year. However, rather than charging the Program grants for the actual time these individuals worked on authorized grant activities, the Department allocated their labor charges based on budget percentages. As a result, FWS has no

means to ascertain whether it is reimbursing the Department the correct amount for work performed by employees under the grants.

This practice is contrary to 2 C.F.R. § 225, Appendix B, Subsection 8.h(4), which notes that when employees work on multiple activities or cost objectives, a distribution of their wages must be supported by personnel activity reports or equivalent documentation. The documentation must reflect the distribution of each employee's actual activity. Distribution percentages that are predetermined and used after employees perform the services do not qualify as support for charges to federal awards.

Department officials stated that they charged labor based on budget percentages because the accounting system could not record charges made to more than one grant by a single employee. However, officials at the Department of Treasury, which maintains the accounting system and bills FWS for reimbursements under the Program, informed us that the accounting system does in fact have the requisite capability. Due to this practice of charging labor to Program grants based on budget percentages, FWS is unable to determine whether it is reimbursing the Department the correct amount for work performed by employees under the grants.

Recommendations

We recommend that FWS:

1. determine whether the Department received any excess reimbursements for labor costs inappropriately allocated to the Program grants and resolve any overpayments and
2. require the Department to charge labor to Program grants based on actual time worked.

Department Response

The Department concurred with the recommendations at the Exit Conference.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Department in developing a corrective action plan to resolve the recommendations.

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 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.

D. Questionable Grant Compliance

The Department purchased a research vessel and boatlift in 2007, using funds provided under Grant F-2-R-32 for Sportfish Investigation and Conservation. However, Department personnel did not fully track the maintenance and usage of these items, as required by the grant agreement. The Department's acquisition of these items, according to the agreement, was contingent upon the development of usage logs and maintenance records for the vessel and boat lift.

This issue arose because the Department did not enforce the requirement that personnel consistently fill out the maintenance and usage logs. Specifically, the logs provided only about one month's worth of information, even though Department personnel informed us that they operated the vessel and boatlift nearly every day. As a result, the Department could not demonstrate whether this equipment had been adequately maintained or used only for Program-related purposes.

Recommendation

We recommend that FWS ensure the Department enforces all requirements related to property acquired under Grant F-2-R-32.

Department Response

The Department concurred with the recommendation at the Exit Conference.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Department in developing a corrective action plan to resolve the recommendation.

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.

Appendix 1

**AMERICAN SAMOA
DEPARTMENT OF MARINE AND WILDLIFE RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE
OCTOBER 1, 2006, THROUGH SEPTEMBER 30, 2008**

GRANT NUMBER	GRANT AMOUNT	CLAIMED COSTS	QUESTIONED COSTS (FEDERAL SHARE)		
			INELIGIBLE	UNSUPPORTED	TOTAL
F-2-R-31	\$976,905	\$935,301	\$1,400	\$258	\$1,658
F-2-R-32	920,945	678,304	2,047	692	2,739
F-10-E-5	179,272	147,365		116	116
F-10-E-6	154,839	108,757		58	58
F-11-B-2	435,339	419,121	8,869		8,869
FW-1-C-20	304,595	299,237		77	77
FW-1-C-21	294,706	284,031	2,680	71	2,751
W-1-R-22	398,207	231,559		191	191
W-1-R-23	372,592	210,642		166	166
Totals	\$4,037,400	\$3,314,317	\$14,996	\$1,629	\$16,625

**AMERICAN SAMOA
DEPARTMENT OF MARINE AND WILDLIFE RESOURCES
SITES VISITED**

Headquarters

Fagatogo

Boating Access Areas

Pago Pago Boat Ramp

Fagasa Boat Ramp

Appendix 3

AMERICAN SAMOA
DEPARTMENT OF MARINE AND WILDLIFE RESOURCES
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendations	Status	Action Required
A.1, A.2, B (New), C, and D	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), titles of officials responsible for implementing the actions taken or planned 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 8, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
B (Repeat)	Repeat Recommendation B is from our prior report ((No. R-GR-FWS-0013-2004, Recommendation E). PMB considers this recommendation resolved but not implemented.	Provide documentation regarding the resolution and implementation of this recommendation to PMB.

Report Fraud, Waste, Abuse, and Mismanagement



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