



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

**U.S. FISH AND WILDLIFE SERVICE WILDLIFE AND SPORT FISH
RESTORATION PROGRAM**

Grants Awarded to the Commonwealth of Kentucky, Department of
Fish and Wildlife Resources, From July 1, 2012, Through June 30, 2014

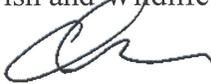


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August 24, 2015

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Central Regional Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the Commonwealth of Kentucky,
Department of Fish and Wildlife Resources, From July 1, 2012, Through
June 30, 2014
Report No. 2015-EXT-004

This report presents the results of our audit of costs claimed by the Commonwealth of Kentucky, Department of Fish and Wildlife 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 audit included claims totaling \$59.4 million on 48 grants that were open during the Commonwealth fiscal years (CFY) that ended June 30, 2013, and June 30, 2014 (see Appendix 1). The audit also covered the Department's 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. The Department, however, had not resolved an issue of land ownership and had not implemented policies and procedures to ensure that only eligible costs associated with compensatory time are charged to the Program grants.

We previously reported these issues in 2006 and 2010, respectively, and as we did not identify any other reportable conditions, we do not require a response to this report. We list the status of the repeat recommendation in Appendix 3.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact Tim Horsma, Program Audit Coordinator, at 916-978-5668; or me at 303-236-9243.

cc: Regional Director, Region 4, U.S. Fish and Wildlife Service

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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 (Program). Under the Program, the U.S. Fish and Wildlife Service (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 States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the Commonwealth of Kentucky, Department of Fish and Wildlife Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and 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 \$59.4 million on the 48 grants open during the Commonwealth fiscal years (CFYs) that ended June 30, 2013, and June 30, 2014 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's headquarters in Frankfort, KY, and visited three wildlife management areas, one hatchery, four boating access areas, an education center, and a shooting range (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 conducted this audit in accordance with Generally Accepted Government Auditing Standards. 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 believe that the

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

evidence obtained 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 the administration of fish and wildlife program activities; 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 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.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

We have issued two reports on Kentucky's program. On September 22, 2006, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2002, Through June 30, 2004" (Report No. R-GR-FWS-0013-2005). We followed up on all four recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considered three recommendations resolved and implemented and one recommendation, related to insufficient real property records for a 33-acre parcel, resolved but not implemented. According to Department and FWS Region 4 officials, the Department received an unfavorable ruling from the Kentucky Court

of Appeals and in January 2015 requested that the State Supreme Court review the Court of Appeals opinion.

We did not identify any additional conditions during our current audit that warrant repeating the unimplemented recommendation from the prior 2006 report, but we note that PMB cannot classify recommendations as implemented until it receives adequate documentation.

On November 29, 2010, we issued “Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2007, Through June 30, 2009” (Report No. R-GR-FWS-0012-2010). We followed up on the one recommendation in the report and found that PMB considers the recommendation resolved but not yet implemented. As discussed in the “Finding and Recommendation” section of this report, we are repeating the unimplemented recommendation related to inadequate support for compensatory time charged to the Program grants. Documentation on the implementation of repeat recommendation should be sent to PMB.

We also reviewed the Commonwealth’s Comprehensive Annual Financial Report and Single Audit Reports for CFYs 2013 and 2014 and determined that the Department’s wildlife and sport fish restoration programs were not identified as major programs in the Single Audit Reports. None of these reports contained any findings that would directly affect the Program 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. We identified, however, the following condition that resulted in our finding:

- A. Ineligible Charges From Compensatory Time.** The Department did not track compensatory time earned by activity, which could result in ineligible charges to the Program grants.

Finding and Recommendation

A. Ineligible Charges From Compensatory Time

For every hour that employees work beyond their normal work week, the Department can grant them equal time off, known as compensatory time, in lieu of overtime pay. Compensatory time is not charged to the activity for which it was earned. Instead, it is charged to Program and non-Program activities on which the employees are working at the time they take leave. Because the Department does not track compensatory time by activity when earned, ineligible activities could be charged to the Program grants.

The Code of Federal Regulations (CFR) outlines cost principles that States must follow when compensating employees for work performed under Federal awards. According to 2 C.F.R. § 225, Appendix A, subsections C.1.a, b, and j, 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. Furthermore, 2 C.F.R. § 225, Appendix B, subsection 8.h(4), states: “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports.”

This condition occurred because the Department does not have policies and procedures to ensure that only eligible activities associated with compensatory time are charged to the Program grants. As a result, when employees earn compensatory time from working on non-Program activities, the Department could improperly charge the related costs to the Program grants.

Repeat Recommendation

We recommend that FWS direct the Department to implement policies and procedures to ensure that only eligible costs associated with compensatory time are charged to the Program grants. (Recommendation A in Report No. R-GR-FWS-0012-2010).

Appendix I

Commonwealth of Kentucky
 Department of Fish and Wildlife Resources
 Grants Open During the Audit Period
 July 1, 2012, Through June 30, 2014

Grant Number	Grant Amount	Claimed Costs
Fish		
F09AF00151	\$433,333	\$523,766
F10AF00293	95,000	84,869
F10AF00378	138,500	93,188
F10AF00448	7,733,334	5,590,564
F11AF00408	175,000	177,821
F11AF00410	260,000	281,108
F11AF00493	549,000	719,422
F11AF00591	270,000	264,145
F11AF00746	175,000	158,248
F11AF00772	33,333	44,528
F12AF00134	70,000	79,637
F12AF00242	4,409,978	3,959,900
F12AF00851	900,000	834,255
F12AF01135	180,000	185,480
F12AF01357	260,000	144,167
F13AF00124	\$98,593	1,625
F13AF00288	685,000	741,991
F13AF00420	195,000	199,858
F13AF00519	4,300,000	4,649,609
F13AF01179	260,392	225,072
F13AF01186	900,000	666,843
F14AF00135	100,000	57,159
F14AF00260	690,000	—
F14AF00278	4,500,000	—
F14AF00306	110,000	49,305
N/A	50,000	64,228
N/A	53,500	62,469
Fish and Wildlife		
F11AF00443	200,000	287,275
F11AF00400	227,333	386,598
F12AF01203	200,000	195,596
F12AF01441	237,333	270,689
F13AF01062	200,000	314,004

Grant Number	Grant Amount	Claimed Costs
Fish and Wildlife (continued)		
F14AF00105	\$226,667	\$397,148
F10AF00311	\$220,327	81,756
F10AF00327	733,227	856,916
F11AF00407	1,953,400	3,392,630
F11AF00494	6,126,185	9,222,353
F11AF00743	100,000	44,951
F11AF00869	118,785	76,176
F12AF00042	86,436	138,470
F12AF01343	2,704,409	2,687,975
F12AF01373	71,000	92,118
F12AF01442	8,702,331	6,915,077
F13AF01238	4,779,986	3,534,749
F13AF01243	96,000	147,321
F14AF00072	11,419,670	10,125,085
N/A	206,785	206,785
N/A	133,333	133,333
Total	\$66,368,170	\$59,366,262

Appendix 2

**Commonwealth of Kentucky
Department of Fish and Wildlife Resources
Sites Visited**

Headquarters

Frankfort

Wildlife Management Areas (WMAs)

Green River Lake WMA

Kentucky River WMA—Boone Tract

Peabody WMA—Ken Unit

Fish Hatchery

Peter W. Pfeiffer Fish Hatchery

Fishing and Boating Access

Bill Fint Boat Ramp

Elmer Davis Lake

Gratz Boat Ramp

Upper Sportsman's Lake

Other

Salato Wildlife Education Center

Taylorsville Lake WMA Public Shooting Range

Appendix 3

**Commonwealth of Kentucky
Department of Fish and Wildlife Resources
Status of Audit Findings and Recommendations**

Recommendation	Status	Action Required
Repeat Recommendation (See Finding A)	We consider this recommendation (Recommendation A from our prior report, No. R-GR- FWS-0012-2010) resolved but not implemented. The Assistant Secretary for Policy, Management and Budget considers this recommendation resolved but not implemented.	Provide documentation to the Assistant Secretary for Policy, Management and Budget regarding the implementation of this recommendation.

