



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 State of Alabama, Department of Conservation
and Natural Resources, Division of Wildlife and Freshwater Fisheries,
From October 1, 2012, Through September 30, 2014



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 07 2016

Memorandum

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

From: Charles Haman 
Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service, Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2012, Through September 30, 2014
Report No. 2015-EXT-043

This report presents the results of our audit of costs claimed by the State of Alabama's Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries (Division), 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 (Program). The audit included claims totaling \$49.3 million on 61 grants that were open during the State fiscal years that ended September 30, 2013, and September 30, 2014 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenue and the reporting of Program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$17,955 for an unallowable construction-related expenditure and found that commuting expenses were incorrectly charged to Program grants. We also found that the Division potentially diverted license revenue by (1) transferring equipment to the Alabama Forestry Commission and (2) failing to obtain reimbursement for legal fees from the State's Risk Management Division.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS Region 4's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by December 6, 2016. The plan should provide information on actions taken or planned to address the recommendations, as well as target dates and title(s) of the official(s) responsible for implementation. Formal responses can be submitted electronically. Please address your response to me and submit a signed PDF copy to WSFR_Audits@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

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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 revenue 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 State of Alabama, Department of Conservation and Natural Resources (Department), Division of Wildlife and Freshwater Fisheries (Division)—

- 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 revenue 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 \$49.3 million on the 61 grants open during the State fiscal years (SFYs) that ended September 30, 2013, and September 30, 2014 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Division's office in Montgomery, AL, and visited three district offices, three wildlife management areas, two fishing and boating access sites, 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 Division;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Division employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Division used hunting and fishing license revenue solely for the administration of fish and wildlife program activities; 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 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 Division'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 Division employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On August 27, 2010, we issued "Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Alabama, Department of Conservation and Natural Resources, Division of Wildlife and Freshwater Fisheries, From October 1, 2007, Through September 30, 2009" (Report No. R-GR-FWS-0005-2010), containing one recommendation that FWS considers resolved and implemented.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2013 and 2014. None of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings:

- A. Questioned Costs.** The Division charged an unallowable construction-related expenditure to a hatchery operations grant, resulting in questioned costs totaling \$23,940 (Federal share \$17,955).
- B. Unallowable Other Direct Costs—Vehicle Commuting Expenses.** Unallowable expenses for employee commuting were charged to Program grants.
- C. Potential Diversion of License Revenue—Equipment Transfer and Unreimbursed Cost Allocation.** The Division transferred equipment purchased with \$200,350 of license revenue to the Alabama Forestry Commission, and the Division’s license revenue fund was charged \$1,394 for costs allocated from the Department that should have been reimbursed by the State’s Department of Finance.

Findings and Recommendations

A. Questioned Costs—Unallowable Other Direct Costs—\$17,955 (Federal Share)

According to Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and j), for a cost to be allowable under Federal awards it must be necessary and reasonable, allocable, authorized or not prohibited, and adequately documented.

The Division charged an architecture expense of \$23,940 related to construction of a fish holding house, which was eligible under Grant No. F11AF00571 (“Statewide Hatchery Renovations”), to Grant No. F12AF01344 (“Hatchery Operations”). According to a Division official, the cost was coded to the wrong grant by mistake. As a result, an unallowable cost was charged to Grant No. F12AF01344 and the Division received excess reimbursement of \$17,955 on Grant No. F12AF01344 because the cost was not for grant purposes.

Recommendation

We recommend that FWS:

- I. Resolve the questioned costs of \$17,955 on Grant No. F12AF01344.

Division Response

The Division concurred with the recommendation, has paid back the questioned costs, and will revise the grant's Federal financial report.

FWS Response

FWS concurred with the recommendation.

OIG Comments

Based on the Division's and FWS' responses, we consider the recommendation resolved but not implemented (see Appendix 3).

B. Unallowable Other Direct Costs—Commuting Expenses

The Division has an inventory of vehicles acquired and maintained with hunting and fishing license revenue or Program grant funds. Employees are permitted to use the vehicles for work projects and commuting. They record miles driven daily in logbooks. They also enter the miles in the payroll system along with hours worked on each project. Miles driven for work on a project are coded to that project. Employees who take vehicles home are required to report the number of days they spend in the office as commuting days. For days they are in the office, employees allocate their commuting mileage to projects in the same ratio as their timesheet hours. Each month, the percentage of total miles recorded for each project is used to allocate vehicle expenses such as repairs, fuel, and liability insurance. As a result, unallowable commuting expenses are charged to Program grants.

Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and d) specify that allowable costs must be necessary and reasonable, and are allocable to the award only if they provide a benefit to the grant. In addition, regulations (2 C.F.R. § 225, Appendix B, 8.c) clarify that otherwise unallowable costs are not made allowable simply because they are described as employee compensation. Therefore, even if the Division considers commuting costs a fringe benefit, that does not make them an allowable grant cost.

According to regulations that became effective after our audit period—specifically, 2 C.F.R. § 200.445(a) and § 200.431(f)—costs of goods or services for employees' personal use are unallowable, regardless of whether the cost is reported as taxable income to the employees. In addition, vehicle costs related to personal use by employees (including transportation to and from work) are

unallowable as fringe benefits or indirect costs, regardless of whether the cost is reported as taxable income to the employees. We are noting these additional regulations here because the resolutions to our recommendations must comply with all regulations currently in effect.

According to the Alabama Department of Finance’s “Fiscal Policies and Procedures Manual” (revised October 2011) and a memorandum from the State Department of Finance, Office of the State Comptroller, on September 26, 2014, when using a State vehicle, the number of employee commuting days must be reported by all State departments annually. The State then includes \$3 per day as additional employee compensation on the Internal Revenue Service Form W-2. However, in the accounting system these costs are recorded as vehicle expenses.

We found that some employees were unaware of the requirement to report commuting days. Also, no written policy exists for charging commuting mileage to Program grants; we found that, generally, employees are instructed to code mileage to activities they work on while in the office.

The Division did not have policies and procedures in place to ensure compliance with Federal regulations and State policies and did not inform employees that commuting mileage should not be charged to Program grants. We were unable to determine the amount of unallowable costs.

Recommendation

We recommend that FWS:

2. Require the Division to implement policies and procedures to ensure that (a) all commuting days by employees using State vehicles are reported, and (b) vehicle expenses for commuting are not charged to Program grants.

Division Response

The Division will address the recommendation by developing an employee commuting policy as part of the pending corrective plan.

FWS Response

FWS concurred with the recommendation.

OIG Comments

Based on the Division’s and FWS’ responses, we consider the recommendation resolved but not implemented (see Appendix 3).

C. Potential Diversion of License Revenue—Equipment Transfer and Unreimbursed Cost Allocation

Federal regulations (50 C.F.R. § 80.20(b)) state that hunting and fishing license revenue includes personal property acquired with license revenue. Regulations (50 C.F.R. § 80.10(c)) also require that revenue from hunting and fishing licenses be (1) controlled only by the State fish and wildlife agency, and (2) used only for administration of the State fish and wildlife agency. According to 50 C.F.R. § 80.21, a State may be declared to be in diversion if it violates the requirements of 50 C.F.R. § 80.10 by diverting license revenue from the control of its fish and wildlife agency to purposes other than the agency's administration.

We found two instances of potential diversion of license revenue, regarding an equipment transfer and unreimbursed cost allocation.

1. Equipment Transfer

The Division transferred license revenue funded equipment (law enforcement radio repeaters and the associated use licenses) with an acquisition cost of \$200,350 to the Alabama Forestry Commission on December 10, 2012. A Division official said that the property was purchased with license revenue.

In a March 16, 2011 memorandum to the Division's Acting Director, the Assistant Chief of Law Enforcement proposed transferring the useable radio components to the Alabama Forestry Commission. The memorandum noted that the radio repeaters needed upgrades at a cost of \$7,500 each, and management decided to transfer the equipment to avoid those costs. The Division, however, did not receive compensation from the Alabama Forestry Commission for the value of the transferred equipment, resulting in a potential diversion of license revenue used to purchase that equipment.

We found that the Division did not have sufficient policies or procedures to identify items purchased with license revenue and ensure that the Game and Fish Fund is compensated for transfers of such equipment. A Division official said that if property is not identified as purchased with grant funds, it is considered purchased with license revenue. Division policy for transfers between State departments simply requires paperwork to be signed before the transfer occurs. Although the policy requires sales proceeds from property purchased with State funds to be deposited in the selling agency's fund, the transfer form for the equipment transfer to the Alabama Forestry Commission was not filled out completely; specifically, the funding source line was left blank.

2. Unreimbursed Cost Allocation

We found that the Division's Game and Fish Fund (license revenue) was charged for Department costs that were supposed to be, but were not, reimbursed by

another State agency. The Department charges costs to an administrative account, and these costs are allocated to its divisions quarterly. The costs allocated to the Wildlife and Freshwater Fisheries Division are charged to the Game and Fish Fund. According to a Department official, court reporting invoices for a lawsuit against the Marine Resources Division were charged to the administrative account and should have been reimbursed by the Department of Finance's Risk Management Division. We found, however, that these costs were not reimbursed; therefore, a portion of the costs (\$1,394) was incorrectly allocated to the Game and Fish Fund. Department officials were unable to provide a reason for the Risk Management Division's failure to reimburse the administrative account, resulting in a potential diversion of license revenue.

Our findings demonstrate that the Division cannot ensure that license funds are controlled by and used solely for the administration of the fish and wildlife agency.

Recommendations

We recommend that FWS:

3. Resolve the potential diversion of license revenue funded equipment and Department administrative expenditures; and
4. Require the Division to implement policies and procedures to compensate the license revenue fund for the value of transfers of equipment purchased with license revenue and ensure accounts receivable from other State agencies are collected.

Division Response

Equipment Transfer—The Division's position is that the equipment's useful life had been expended and therefore the equipment had no value at the time of transfer. Based on this, the transfer should not constitute a diversion of license revenue.

Unreimbursed Cost Allocation—The Division will address the recommendation in the pending corrective action plan.

FWS Response

FWS acknowledged the findings and will fully address the recommendations in the pending corrective action plan.

OIG Comments

Based on the Division's and FWS' responses, we consider the recommendations resolved but not implemented (see Appendix 3).

Appendix I

State of Alabama, Department of Conservation and Natural Resources,
Division of Wildlife and Freshwater Fisheries
Grants Open During the Audit Period
October 1, 2012, Through September 30, 2014

Grant Number	Grant Amount	Claimed Costs	Questioned Costs– Unallowable
Fish			
FI1AF00571	\$300,000	\$2,300	\$0
FI1AF00572	1,150,000	1,307,797	0
FI1AF00822	1,001,300	1,000,571	0
FI2AF00906	504,000	537,468	0
FI2AF00954	12,000	12,000	0
FI2AF00998	575,000	372,935	0
FI2AF01273	400,000	419,348	0
FI2AF01344	1,405,000	1,353,107	17,955
FI2AF01345	35,194	21,074	0
FI2AF01350	1,100,000	1,027,307	0
FI2AF01351	975,000	922,295	0
FI2AF01352	440,000	276,160	0
FI2AF01353	498,999	532,814	0
FI3AF00499	500,000	862,224	0
FI3AF00677	1,405,000	1,303,400	0
FI3AF00809	12,000	12,000	0
FI3AF01037	636,000	741,123	0
FI3AF01171	699,147	711,037	0
FI3AF01172	940,000	780,316	0
FI3AF01173	400,000	323,638	0
FI3AF01174	1,350,000	1,329,974	0
FI3AF01177	360,000	404,436	0
FI3AF01218	675,000	724,457	0
FI3AF01222	540,000	650,433	0
FI3AF01321	32,000	24,265	0
FI3AF01334	19,965	10,056	0
FI4AF00228	482,227	538,395	0
FI4AF01007	17,760	0	0

Grant Number	Grant Amount	Claimed Costs	Questioned Costs– Unallowable
Fish and Wildlife			
F13AF00685	\$1,521,149	\$1,418,103	\$0
Wildlife			
F09AF00154	\$340,000	\$347,662	\$0
F11AF00689	64,000	64,000	0
F12AF00740	15,000	15,000	0
F12AF00979	652,000	636,416	0
F12AF01080	993,334	881,123	0
F12AF01118	4,950,000	5,024,101	0
F12AF01119	661,000	625,423	0
F12AF01165	49,000	42,773	0
F12AF01166	248,000	225,179	0
F12AF01168	199,454	246,294	0
F12AF01174	560,000	503,909	0
F12AF01185	628,000	613,153	0
F12AF01434	352,000	335,873	0
F13AF00090	172,000	158,072	0
F13AF00106	4,044,000	4,035,762	0
F13AF00165	3,580,000	3,557,335	0
F13AF00381	392,000	0	0
F13AF01011	15,000	15,000	0
F13AF01032	800,000	700,907	0
F13AF01106	781,000	746,092	0
F13AF01108	186,000	185,066	0
F13AF01230	5,400,000	5,234,865	0
F13AF01231	248,000	198,069	0
F13AF01258	54,000	43,554	0
F13AF01260	1,754,583	1,331,395	0
F14AF00029	124,000	118,538	0
F14AF00038	560,000	494,885	0
F14AF00247	80,000	1,489	0
F14AF00259	32,000	26,980	0

Grant Number	Grant Amount	Claimed Costs	Questioned Costs– Unallowable
Wildlife (continued)			
FI4AF00540	\$5,260,000	\$5,231,013	\$0
FI4AF00797	30,000	0	0
FI4AF01075	30,000	0	0
Totals	\$51,241,112	\$49,258,964	\$17,955

Appendix 2

State of Alabama, Department of Conservation and Natural Resources,
Division of Wildlife and Freshwater Fisheries
Sites Visited

Headquarters

Montgomery

District Offices

Tanner (District 1)

Northport (District 3)

Spanish Fort (District 5)

Wildlife Management Areas (WMAs)

Frank W. and Rob M. Boykin WMA

Lauderdale WMA

Swan Creek WMA

Fishing and Boating Access

Bibb County Lake

Riverfront Park

Other

Tuscaloosa Public Shooting Range

Appendix 3

State of Alabama, Department of Conservation and Natural Resources,
Division of Wildlife and Freshwater Fisheries

Status of Audit Recommendations

Recommendations	Status	Action Required
1, 2, 3, 4	<p>We consider the recommendations resolved but not implemented.</p> <p>FWS regional officials concurred with or acknowledged these recommendations and will work with the Division to resolve all findings and recommendations.</p>	<p>Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Division.</p> <p>We will refer the recommendations not resolved or implemented at the end of 90 days (December 6, 2016) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.</p>

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