



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 New Jersey State Department of Environmental
Protection, Division of Fish and Wildlife
From July 1, 2014, Through June 30, 2016



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

Memorandum

JUL 18 2018

To: Greg Sheehan
Principal Deputy Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Audit Manager

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the New Jersey State Department of Environmental Protection, Division of Fish and Wildlife, From July 1, 2014, Through June 30, 2016
Report No. 2017-EXT-058

This final report presents the results of our audit of costs claimed by the New Jersey State Department of Environmental Protection, Division of Fish and Wildlife, under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$50.9 million on 35 grants that were open during the State fiscal years that ended June 30, 2015, and June 30, 2016 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to collecting and using hunting and fishing license revenue and reporting program income.

We found that the Division generally complied with applicable grant accounting and regulatory requirements, but did not report losing control of real property purchased with grant funds and license revenue, submit Federal financial reports (SF-425s) in a timely manner, properly manage its personal equipment inventory, or provide adequate support for the in-kind hours claimed as a portion of the grant match requirement.

We provided a draft to the FWS for a response. In this report, we summarize the Department's and FWS Region 5'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 October 16, 2018. 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 aie_reports@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

U.S. Department of the Interior
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Lakewood, CO 80228

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 me at 303-236-9243.

cc: Regional Director, Region 5, 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 Act¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their wildlife and sport fish resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow the 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 whether the New Jersey State Department of Environmental Protection, Division of Fish and Wildlife:

- Claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements
- Used agency hunting and fishing license revenue solely for fish and wildlife program activities
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately \$50.9 million on the 35 grants open during the State fiscal years (SFYs) that ended July 31, 2015, and July 31, 2016 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Division's headquarters in Trenton, NJ, and visited 3 regional offices, 7 field offices, 20 wildlife management areas, 2 fish hatcheries, 3 boat ramps sites, and 3 shooting ranges (see Appendix 2).

We performed this audit to supplement—not replace—the audits required by the Single Audit Act.

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

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 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
- 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 April 26, 2012, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New Jersey, Department of Environmental Protection, July 1, 2009, Through June 30, 2011* (Report No. R-GR-FWS-0003-2012).

We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget, considered the recommendations resolved and implemented.

We reviewed the single audit reports for SFYs 2015 and 2016. The reports did not contain 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 and recommendations:

- A. **Loss of Control Over Real Property: Encroachment.** The Division lost control of property purchased with grant funds and license revenue.
- B. **Inadequate Support: In-Kind Contributions.** The Division did not provide adequate documentation to support the value of labor hours used as matching funds.
- C. **Inadequate Equipment Management.** The Division did not follow established equipment management procedures.
- D. **Late Submission of Federal Financial Reports.** The Department did not submit Federal financial reports (SF-425s) to document Program grant expenditures to the FWS on time.

Findings and Recommendations

A. Loss of Control Over Real Property: Encroachment

Federal regulation (50 C.F.R. § 80.90) states that grantees are responsible for “the control of all assets acquired under the grant to ensure that they serve the purpose for which acquired throughout their useful life.” Regulations (50 C.F.R. § § 80.20(b)), 80.10(c)) also state that license revenue, and any real property that was acquired with license revenue, must be controlled by and used solely for the administration of the State fish and game agency. The Division, however, has not effectively addressed the potential loss of control of real property purchased with grant funds and license revenue.

Specifically, Division personnel have identified unresolved encroachment concerns in four Central Region and three South Region Wildlife Management Areas (WMAs), which are listed in Figure 1. At least two of the listed instances are in litigation.

WMA	Parcel	Issue
Central Region		
Assunpink	Lot 6, Block 21	Possible homeowner encroachment on State land: map and parcel data discrepancy.
	Lot 29, Block 21	Possible homeowner encroachment on State land: map and parcel data discrepancy.
	Lot 7.011, Block 21	Possible homeowner encroachment on State land: map and parcel data discrepancy.
Colliers Mills	Lot 82.03, Block 76	Possible business encroachment on State land: a business is parking vehicles on State land because of map and parcel data discrepancy.
	Lot 1, Block 17601	Possible business encroachment on State land: survey discrepancy.
Great Bay Blvd	Lot 39, Block 326	Encroachment on State land: active case about an illegal billboard (in litigation).
Stafford Forge	Lot 9.01, Block 3	Encroachment on State land: active case about mining rights and property line discrepancies (in litigation).
South Region		
Mad Horse	Lot 3.02, Block 26	Encroachment on State land: cabins built on marsh, preparing for demolition.
Cape May Wet Lands	Lot 2, Block 793	Encroachment on State land: Need mapping verification.
Thunder Gut	Lot 23, Block 79	Encroachment on State land: landowner cutting and storing hay

Figure 1. Encroachment concerns in Central Region and South Region WMAs, identified by location, lot and block numbers, and type of concern.

Division personnel stated that resolving encroachment issues takes years and includes surveying the property boundaries. With existing encroachment issues, the Division cannot ensure the lands encroached upon are available for the originally intended purposes.

Recommendations

We recommend that the FWS:

1. Resolve the encroachment issues on lands purchased with Program funds and license revenue
2. Require the Division to establish a procedure to periodically review lands for possible encroachment and resolve any identified issues in a timely manner

Department Response

The Department concurs with the finding and recommendations.

FWS Response

The FWS concurs with our finding and recommendations and has reviewed and accepted the State's response. The FWS will work closely with Department staff to develop and implement a corrective action plan that will resolve the finding and related recommendations.

OIG Comments

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

B. Inadequate Support: In-Kind Contributions

The Program requires States to provide at least 25 percent of costs incurred in performing projects under the grants (matching funds). States may use "in-kind" services (non-cash, such as labor) as their matching funds. Federal regulation (43 C.F.R. § 12.64(b)(6)) requires States to provide adequate support for in-kind services used as matching funds. Specifically, in-kind contributions counting toward matching funds must be supported with documentation. We tested four grants and found inadequate support for in-kind services, as detailed below.

On Grant No. F10AF00519, the Division claimed in-kind services in volunteer hours as matching funds. The number of volunteer hours worked was recorded on a time log specific to the grant. The time log had areas for volunteers to write their name, initial, the type of work performed, and the hours worked each day. There was also a space for a supervisor to sign off on all hours recorded. Based on our review, we determined that \$706,724 of the recorded contributions was unsupported because volunteer hours were not properly recorded and submitted. Specifically:

- Volunteers did not initial time logs for the time recorded.
- Supervisors did not sign volunteers' time logs to indicate approval.
- Hours worked over multiple days were reported as a lump sum rather than on a daily basis.

The Division did, however, report excess in-kind of \$957,052, which more than offsets the unsupported amount. Because the reported amount of in-kind contributions exceeds the undocumented amount, we are not questioning the \$706,000 in unsupported costs.

On Grant Nos. F11AF00901, F12AF01301, and F14AF0686 we found similar instances of inadequate support. While the volunteer hours for these grants were not used for the Division's matching funds, the inadequate support indicates a systemic issue in the Division's ability to record volunteer hours and will cause issues in the future if not addressed and corrected.

The Division did not effectively support in-kind contributions in the form of volunteer hours because it did not ensure time logs were adequately prepared and verified. While the overmatch on Grant No. F10AF00519 can be used to mitigate questioned costs in this instance, the systemic issues found in our testing may lead to questioned costs in the future.

Recommendation

We recommend that the FWS:

3. Require the Division to develop and implement policies and procedures to monitor how volunteer hours are submitted and recorded and ensure that volunteers are initialing for their work time, supervisors are signing for the submitted time and hours are only submitted on a daily log

Department Response

The Department concurs with the finding and recommendation.

FWS Response

The FWS concurs with our finding and recommendation and has reviewed and accepted the State's response. The FWS will work closely with Department staff to develop and implement a corrective action plan that will resolve the finding and related recommendation.

OIG Comments

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

C. Inadequate Equipment Management

Federal regulation (2 C.F.R. § 200.313(b)) requires a State to follow its own policies and procedures regarding the use, management, and control of personal property to ensure that property purchased with Program funds and hunting and fishing license revenue is used for the intended purposes. We found that the Division has not followed established equipment management procedures and that it does not have a comprehensive equipment inventory.

The Division has not followed the following New Jersey State Department of Environmental Protection policies:

- Circular 11-19-OMB, *Asset Inventory Requirements*
- Physical Fixed Asset Inventory System policy

The Circular requires all State agencies to manage the inventory of property they own or are responsible for, and to maintain an inventory of assets with an original cost of \$1,000 or more and an expected useful life of 3 years. The Physical Fixed Asset Inventory System policy requires an annual inventory and submission of a Physical Fixed Asset Summary Report. Specifically, the policy requires the inventory control coordinator to (1) acquire, control, and distribute inventory control decals, ensuring that each asset has a separate decal number and (2) make periodic checks to verify all items in the Physical Fixed Asset Inventory System.

We found, however, equipment items that (1) did not have inventory control decals, (2) had been disposed of but still remained on the inventory, and (3) had an incorrect location and/or custodian's name on the inventory.

The Department maintains a master equipment inventory, which includes the Division's equipment. The Department's general services unit updates items based on acquisition or disposal. According to a Division official, when the Division acquires equipment valued over \$1,000, it does not generate the required inventory control decals used to track equipment. The Department's general services unit is charged with that responsibility. On occasion, there is a significant delay between the acquisition of a trackable item and the issuance of the decal by the Department. This may account for items being under the Division's control but not listed on the Department's master equipment inventory. In addition, when the Division selects items for disposal, it must complete a specific form and send it to general services, so the inventory reflects the removal. The Division does not always submit this form on time, which may account for items that are disposed

of but still reflected in the main inventory; we noted several items during site visits that were listed in inventory but could not be found.

In addition, the Department does not have a comprehensive equipment inventory, which made selection from the universe of all the Division's assets problematic. Further, the Department's official inventory system did not include items such as firearms, vehicles, and other heavy-duty machinery purchased with Program funds; these items are tracked in a separate Excel list.

Until it follows required Department policies, the Division may not be able to account for all equipment purchased with Program funds and license revenues or ensure that items are not lost, misplaced, or used for unauthorized purposes.

Recommendations

We recommend that the FWS:

4. Require the Division to properly account for its inventory and equipment items
5. Require the Division to ensure the timely issuance of property tags and decals; proper reporting of property disposals; and consistent use of the official inventory system rather than separate informal equipment lists

Department Response

The Department concurs with the finding and recommendations.

FWS Response

The FWS concurs with our finding and recommendations and has reviewed and accepted the State's response. The FWS will work closely with Department staff to develop and implement a corrective action plan that will resolve the finding and related recommendations.

OIG Comments

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

D. Late Submission of Federal Financial Reports

Federal regulation (43 C.F.R. § 12.951) states that Federal financial reports (SF-425s) are due within 90 days of the grant ending date. With FWS approval, this reporting period can be extended for an additional 90 days. Of the 35 grants covered in our audit scope, 9 reports were submitted past the 90-day due date.

Furthermore, 4 of the 9 grants had approved extensions, but the SF-425s were still submitted past the extended deadline.

Department staff told us that they were unable to meet the original and extended report deadlines because of an oversight regarding required signatures. Specifically, staff did not obtain the required signatures in time to submit the reports to the FWS. Until the Department ensures its compliance with reporting, the FWS may not be able to determine whether Program funds were expended appropriately and whether grant objectives were met.

Recommendation

We recommend that the FWS:

6. Work with the Department to ensure timely submission of Federal financial reports

Department Response

The Department concurs with the finding and recommendation.

FWS Response

The FWS concurs with our finding and recommendation and has reviewed and accepted the State's response. The FWS will work closely with Department staff to develop and implement a corrective action plan that will resolve the finding and related recommendation.

OIG Comments

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

Appendix I

New Jersey State
Department of Environmental Protection,
Division of Fish and Wildlife
Grants Open During the Audit Period
July 1, 2014, Through June 30, 2016

Grant Number	Grant Amount	Claimed Costs
F10AF00498	\$400,002	\$253,333
F10AF00519	4,368,102	3,935,411
F11AF00901	998,686	1,293,316
F11AF01089	140,000	141,336
F12AF00551	3,275,702	3,244,385
F12AF01073	241,575	242,439
F12AF01232	388,442	480,445
F12AF01301	719,857	759,890
F12AF01338	3,636,754	4,041,714
F12AF01402	5,120,385	8,131,300
F13AF00223	710,049	1,025,113
F13AF00270	246,870	232,953
F13AF00369	729,143	668,123
F13AF00513	1,120,000	1,122,186
F14AF00064	245,024	265,467
F14AF00131	966,667	1,088,427
F14AF00458	1,838,116	1,908,425
F14AF00588	136,991	132,511
F14AF00598	278,304	260,748
F14AF00630	1,387,993	2,345,017
F14AF00678	4,084,681	3,848,791
F14AF00686	4,080,428	4,052,549
F14AF00748	733,844	32,311
F14AF01110	2,947,956	62,289

Grant Number	Grant Amount	Claimed Costs
FI4AF01244	\$40,000	\$20,000
FI5AF00043	532,639	582,643
FI5AF00084	1,000,000	1,048,694
FI5AF00206	736,837	715,182
FI5AF00345	1,838,116	1,840,138
FI5AF00347	312,900	232,064
FI5AF00348	319,728	160,557
FI5AF00405	7,168,215	3,550,846
FI6AF00048	1,000,000	984,584
FI6AF00088	256,668	374,419
FI6AF00364	1,810,229	1,784,573
Total	\$53,810,903	\$50,862,180

Appendix 2

**New Jersey State
Department of Environmental Protection,
Division of Fish and Wildlife
Sites Visited**

Headquarters

Trenton

Regional Offices

Central – Assunpink
Northern – Hedge Haven
Southern – Winslow

Field Offices

Clinton
Colliers Mills
Delaware Bay
Flat Brook
Lebanon
Pequest
Tuckahoe

Fish Hatcheries

Hackettstown
Pequest

Wildlife Management Areas

Assunpink
Beaver Swamp
Berkshire Valley
Black River
Buckhorn Creek
Buckshutem
Budd Lake
Butterfly Bogs
Colliers Mills
Egg Island
Flat Brook
Hackettstown
Mannington East
Mannington West
Peaslee
Pequest
Shark River Access 6

Wildlife Management Areas (continued)

Tuckahoe (MacNamara)

Woodstown

Winslow

Boating Access

Assunpink

Hansey Creek

Round Valley

Shooting Ranges

Assunpink

Black River

Clinton

Appendix 3

**New Jersey State
Department of Environmental Protection,
Division of Fish and Wildlife
Status of Audit Recommendations**

Recommendations	Status	Action Required
1, 2, 3, 4, 5, 6	We consider the recommendations resolved but not implemented.	<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 the actions taken or planned by the State.</p> <p>We will refer the recommendations not implemented at the end of 90 days (October 16, 2018) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

