



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 South Carolina, Department of Natural Resources,
From July 1, 2008, Through June 30, 2010



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

June 28, 2011

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: 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 State of South Carolina, Department of Natural Resources,
From July 1, 2008, Through June 30, 2010 (No. R-GR-FWS-0005-2011)

This report presents the results of our audit of costs claimed by the State of South Carolina (the State), Department of Natural Resources (the Department), 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 (the Program). The audit included claims totaling approximately \$30.6 million on 71 grants that were open during State fiscal years (SFYs) ended June 30 of 2009 and 2010 (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. We questioned costs totaling \$52,583, however, because the Department did not offset publication costs by revenue received from the sale of a magazine.

We provided a draft report to FWS for a response. We summarized the Department and FWS Region 4 responses, as well as our comments on the responses after the recommendation. We list the status of the recommendation in Appendix 3.

Please respond in writing to the finding and recommendation included in this report by September 26, 2011. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation. Please address your response to the following address below:

Director of External Audits
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

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 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 (the Acts)¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, 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 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.
- Used State hunting and fishing license revenues solely for fish and wildlife program activities.
- Reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$30.6 million on the 71 grants that were open during SFYs ended June 30, 2009 and 2010 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Columbia, SC, and visited one regional office, five wildlife management offices, three fish hatcheries, two boat ramps, and three other office locations (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 our performance 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

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

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, 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.
- 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 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 22, 2007, we issued "Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of South Carolina, Department of Natural Resources, from July 1, 2003 Through September 30, 2005" (No. R-GR-FWS-0012-2005). We followed up on all recommendations in the report and found that the U.S. Department of Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them to be resolved and implemented.

We reviewed South Carolina's Single Audit Report and Comprehensive Annual Financial Report for SFY 2009. Neither of these reports contained any findings that would directly impact 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 a condition, however, that resulted in the finding listed below, which included questioned costs totaling \$52,583. We discuss the finding in more detail in the Finding and Recommendation section.

Questioned Costs. We questioned costs totaling \$52,583 because the Department did not offset publication costs by revenue received from the sale of a magazine.

Finding and Recommendation

A. Questioned Costs — \$ 52,583

Under the Program, FWS may reimburse States up to 75 percent of grant expenditures, provided that the States first expend their matching share of costs. As a portion of its match on aquatic education grants (Grants F-68-11 and F-68-12), the Department claimed \$73,530 for the publication costs of fishing-related pages in its magazine *South Carolina Wildlife*. These claims amounted to a cost of \$1,290 per page. The Department, however, did not offset these costs with revenue earned from the sale of the magazine, which would have resulted in a net cost of \$60 per page.

Since the magazines published under Grant F-68-11 contained a total of 25 fishing-related pages, we are questioning costs of \$23,063 (Federal share). Likewise, since the magazines published under Grant F-68-12 contained a total of 32 fishing-related pages, we are questioning costs of \$29,520 (Federal share). Total questioned costs therefore amount to \$52,583, as indicated in the table below. According to Department officials, these excess claims resulted from an error.

Questioned Costs Related to Grants F-68-11 and F-68-12

Description	Costs	Fish-Related Pages	Calculations	Totals
Grant F-68-11				
Gross Cost Claimed	\$ 1,290	25	\$32,250	
Net Cost (Less Revenue)	60	25	1,500	
Total Questioned Costs			30,750	
Federal Matching Percentage			75%	
Federal Share of Questioned Costs				\$23,063
Grant F-68-12				
Gross Cost Claimed	\$ 1,290	32	\$41,280	
Net Cost (Less Revenue)	60	32	1,920	
Total Questioned Costs			39,360	
Federal Matching Percentage			75%	
Federal Share of Questioned Costs				29,520
Total				\$52,583

The Code of Federal Regulations (2 CFR § 225 Appendix A, Section C) states that to be allowable under Federal awards, costs must be necessary, reasonable, and allocable and be net of all applicable credits. In addition, 50 CFR § 80.15(d) states that the method used to allocate costs must produce an equitable distribution of costs based on the relative benefits provided.

Recommendation

We recommend that FWS resolve the questioned costs of \$52,583 on Grant F-68-11 (\$23,063) and Grant F-68-12 (\$29,520).

Department Response

Department officials concurred with the finding and recommendation and stated that they will work with FWS to fully address the issue in a pending corrective action plan.

FWS Response

FWS regional officials concurred with the finding and recommendation and stated that they will work with the Department to fully address the issue in a pending corrective action plan.

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 date.

- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

Appendix I

**South Carolina Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
F-29-22	\$388,688	\$388,797	
F-29-23	388,000	429,401	
F-54-17	360,000	362,787	
F-54-18	467,878	486,055	
F-58-16	12,000	12,000	
F-59-16	360,000	331,476	
F-59-17	335,200	464,669	
F-63-14	2,562,000	2,548,358	
F-63-15	2,476,600	1,908,676	
F-68-11	200,000	222,744	\$23,063
F-68-12	201,333	248,769	29,520
F-74-9	378,000	347,505	
F-74-10	352,000	415,179	
F-75-6	12,000	10,346	
F-75-7	12,000	10,157	
F-76-8	253,200	322,331	
F-76-9	326,000	318,516	
F-77-5	66,427	77,652	
F-77-6	66,667	104,322	
F-80-7	75,000	62,666	
F-80-8	142,000	126,192	
F-83-7	532,000	772,945	
F-83-8	591,600	806,015	
F-85-6	194,863	284,647	
F-85-7	200,000	320,911	
F-89-T-4	75,000	63,103	
F-89-T-5	75,200	72,712	
F-91-R-1	268,507	270,338	
F-95-R-1	65,923	66,484	
F-95-R-2	82,651	89,155	
F-95-R-3	85,895	89,835	
F-96-D-1	168,000	115,375	

South Carolina Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
F-97-D	212,800	209,000	
F-98-D	\$50,000	\$37,000	
F-99-D	174,000	137,000	
F-100-D	132,000	110,500	
F-101-DB	37,900	35,100	
F-102-D	42,948	44,030	
F-103-D	286,840	267,329	
F-104-DB	125,000	117,947	
F-105-T-1	222,512	220,027	
F-105-T-2	213,427	185,187	
F-106-R	73,540	77,609	
F-107-R	68,252	63,657	
F-108-D	114,000	78,800	
F-109-B	65,000	40,000	
F-110-B	1,000,000	1,760,233	
F-111-B-1	148,000	0	
F-112-B	92,000	33,325	
F-113-B	73,500	59,400	
F-114-B	200,000	0	
F-115-B	337,000	337,000	
F-116-B	90,000	51,230	
F-117-B	350,000	573,796	
F-118-B-1	250,000	0	
F-119-B	201,000	0	
F-120-B	215,000	0	
F-121-B	135,000	0	
T-50-I-L	1,668,206	1,668,206	
W-1-33	1,172,257	1,122,103	
W-1-34	1,457,341	870,679	
W-1-35	1,540,272	711,731	
W-29-52	15,000	15,000	
W-29-53	15,000	23,226	
W-30-50	3,732,160	6,331,680	
W-30-51	4,132,192	2,693,115	
W-98-E-2	217,175	217,175	

**South Carolina Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
W-98-E-3	217,175	217,175	
W-98-E-4	217,175	31,194	
W-98-E-5	217,175	35,544	
W-99-I-D	137,858	102,448	
TOTAL	\$31,423,337	\$30,627,564	\$52,583

Appendix 2

South Carolina Department of Natural Resources Sites Visited

Headquarters

Columbia

Regional Offices

Clemson

Other Offices/ Locations

Columbia Airport Law Enforcement Hanger

Edisto Beach State Park

Highway 15 Boat Ramp

Marine Resources Research Institute

Orangeburg City Boat Landing

Wildlife Management Areas

Bonneau Ferry

Botany Bay

Jocassee Gorges

Lewis Ocean Bay Heritage Preserve

Samworth

Fish Hatchery

Cheraw

Cohen Campbell

Walhalla

Appendix 3

South Carolina Department of Natural Resources Status of Audit Finding and Recommendation

Recommendation	Status	Action Required
A	FWS management concurs with the recommendation, but additional information is needed as outlined in the “Action Required” column.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Finding and Recommendation section under OIG Comments. We will refer the recommendation, if not resolved and/or implemented at the end of 90 days (after September 26, 2011), to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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