



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 Mississippi, Department of Wildlife, Fisheries, and Parks,
From July 1, 2009, Through June 30, 2011




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

May 22, 2012

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park 
Director of External Audits

Subject: Audit – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration
Program Grants Awarded to the State of Mississippi, Department of Wildlife,
Fisheries, and Parks, From July 1, 2009, Through June 30, 2011
Report No. R-GR-FWS-0005-2012

This report presents the results of our audit of costs claimed by the State of Mississippi (State), Department of Wildlife, Fisheries, and Parks (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 audit included claims totaling \$35.2 million on 33 grants that were open during State fiscal years that ended June 30, 2010, and June 30, 2011 (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 \$33,656 due to (1) unapproved indirect cost rates, (2) unsupported in-kind contributions, (3) out-of-period direct costs, and (4) ineligible direct costs. We also found that the Department did not maintain accurate real property records and had inadequate assent legislation.

In addition, during our fieldwork, we found that the Department charged grants W-5-21 and W-5-22 (Mississippi Hunter Education Program) salary that should have been charged to grants W-60-7 and W-60-8 (Hunter Education Enhancement). FWS approved the charges to grants W-5-21 and W-5-22 because both grants enhance hunter education programs; therefore, we consider this issue resolved.

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

Please respond in writing to the findings and recommendations included in this report by August 20, 2012. 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:

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, Lori Howard, Auditor, 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 (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 State's fish and game agency. Finally, Federal regulations and FWS guidance require States to account for any income earned using grant funds.

Objectives

We conducted this audit to determine if the State of Mississippi (State); Department of Wildlife, Fisheries, and Parks (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; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling \$35.2 million on the 33 grants open during State fiscal years (SFYs) that ended June 30, 2010, and June 30, 2011 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department headquarters in Jackson, MS, and visited eight wildlife management areas, two lakes, two fish hatcheries, one museum, and one shooting facility (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; 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 Department's operations.

Prior Audit Coverage

On September 21, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Mississippi, Department of Wildlife, Fisheries, and Parks, From July 1, 2004 through June 30, 2006" (R-GR-FWS-0008-2007). 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 Single Audit Reports and Comprehensive Annual Financial Reports for Mississippi's SFYs 2009 and 2010. Neither 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, several conditions that resulted in the findings listed below, including questioned costs totaling \$33,656.

Questioned Costs. We questioned costs totaling \$33,656 due to (1) unapproved indirect cost rates, (2) unsupported in-kind contributions, (3) out-of-period direct costs, and (4) ineligible direct costs.

Inaccurate Real Property Records. The Department maintains land records that do not agree with the FWS land database.

Inadequate Assent Legislation. The State's legislation assenting to the Acts does not include a prohibition against diverting license fees for purposes other than the administration of its fish and wildlife activities.

Findings and Recommendations

A. Questioned Costs — \$33,656

1. Unapproved Indirect Costs — \$17,259

Indirect costs are normally charged to Federal grants by the use of an indirect cost rate. The Code of Federal Regulations (CFR), 2 CFR § 225, Appendix E, Section D.1.a, requires that all grantees planning to claim indirect costs under Federal awards prepare an indirect cost proposal and supporting documentation. The proposal is required, under 2 CFR § 225, Appendix E, Section E.1, to be submitted to an independent (cognizant) agency to review, negotiate, and approve the proposed indirect cost rates on a timely basis.

The Department did not submit the indirect cost proposal for SFY 2011 in a timely manner; therefore no rate was negotiated. FWS approved the use of a temporary rate for SFY 2011 on Program grants. Instead of using the approved rate of 5.71 percent, the Department used unapproved rates resulting in an overcharge of \$17,259 (Federal share) to grant W-5-21; therefore, we question \$17,259 of indirect costs.

Recommendation

We recommend that FWS resolves the \$17,259 (Federal share) of questioned indirect costs.

Department Response

Department officials concurred with the finding and recommendation.

FWS Response

FWS Regional officials concurred with the finding and recommendation and will work with the Department on a corrective action plan that resolves the questioned costs.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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.

2. Unsupported In-kind Contributions — \$10,602

Under the Program, States must use “State matching” (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. Non-cash (“in-kind”) contributions may be used to meet States’ matching share of costs, and as with costs claimed for reimbursement, States must support the value of these contributions. 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 State’s matching share of costs on its Hunter Education grant (W-60-7) included in-kind contributions consisting of the value of volunteer instructor hours. We reviewed the in-kind amounts and found that the Department did not have instructor timesheets to support \$3,534 in volunteer instructor hours claimed.

Federal regulations (2 CFR § 225, Appendix A, Section C.1.j) provides basic guidelines on cost principles which require that for a cost to be allowable under Federal awards, it must be adequately documented. In addition, 43 CFR § 12.64 (b)(6), outlines requirements for matching or cost sharing records and states that, to the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Although the Department had policies and procedures in place to maintain volunteer timesheets, an employee who maintained the volunteer timesheets for the hunter education program retired and, as a result, the records could not be found.

Because the Department could not support the \$3,534 (25 percent) of in-kind contributions from volunteer hours claimed on grant W-60-7, we determined that the Department overstated its share of matching costs reported on the Federal Financial Report (SF 425). Therefore, we question the \$10,602 (75 percent) Federal share associated with these costs.

Recommendations

We recommend that FWS—

1. resolves the unsupported costs of \$10,602 (Federal share); and
2. ensures the Department complies with Federal regulations to document volunteer hours used as match.

Department Response

Department officials concurred with the finding and recommendations.

FWS Response

FWS Regional officials concurred with the finding and recommendations. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendations.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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.

3. Out-of-period Costs — \$3,896

The Department entered into a cooperative agreement with Mississippi State University to perform research under grant F-143-R-1. The performance period for F-143-R-1 was June 1, 2009, through May 31, 2010. The university billed the

Department \$5,195 for work performed in June 2010, which was outside of the grant period.

Federal regulations (43 CFR § 12.63a) states that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period. In addition, 31 U.S.C. § 1501(a)(1)(B) states that recording an obligation for the U.S. Government can only take place when the transaction for specific goods to be delivered or service to be provided can be executed before the end of the period of availability.

Because the Department incorrectly paid the \$5,195 (\$3,896 Federal share) expenditure under grant F-143-R-1, we question the Federal share of \$3,896.

Recommendation

We recommend that FWS resolves the questioned costs of \$3,896 (Federal share).

Department Response

Department officials concurred with the finding and recommendation.

FWS Response

FWS Regional officials concurred with the finding and recommendation and will work with the Department on a corrective action plan that resolves the questioned costs.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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.

4. Ineligible Direct Costs — \$1,899

The Department charged \$2,532 of boat maintenance expenditures in error to the Hunter Education Program grant W-60-8. Because boat maintenance does not benefit the hunter education program, we question the Federal share of \$1,899 as ineligible direct costs.

Federal regulations (2 CFR § 225, Appendix A, Sections C.1.a, b, and j) specifies that allowable costs must be necessary and reasonable, be allocable to the award only if it provides a benefit to the grant, and can be adequately supported.

Recommendation

We recommend that FWS resolves the ineligible direct costs of \$1,899 (Federal share).

Department Response

Department officials concurred with the finding and recommendation.

FWS Response

FWS Regional officials concurred with the finding and recommendation. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendations.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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.

B. Inaccurate Real Property Records

To help maintain control over the use of land acquired with Program funds or license revenue, the Department must ensure that its database of real property is accurate and reconciles with land records maintained by FWS. Although the Department and FWS agreed that a reconciliation had been performed, neither were able to provide documentation that the reconciliation took place.

We reviewed six grants for accuracy of information and found differences in the following three grants:

Grant	FWS Acres	Department Acres	Difference
FW-7-L	9,151	8,251	900
W-27-L	6,591	6,554	37
W-59-L	13,467	13,328	138

In addition, the Department's database did not include the source of funds (e.g., Program funds, license revenues, etc.) used to purchase real property, even though the hard copy files showed the funding source.

Federal regulations (50 CFR § 80.18(c)) requires the States to be responsible for the accountability and control of all assets acquired with Program funds to assure that they are used, throughout their useful life, for the purpose for which they were acquired. Also, 50 CFR § 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

Department officials acknowledged that there are no policies and procedures in place to ensure that (1) documentation is maintained on the reconciliation of Department and FWS records, and (2) complete and accurate database of land acquired with Program funds or license revenue include the funding source. Because of the lack of policies and procedures, the Department's land records are inadequate to ensure that lands acquired with Program funds or license revenues are used only for their intended purpose.

Recommendations

We recommend that FWS requires the Department to develop policies and procedures to—

1. maintain documentation on the reconciliation of Department and FWS records and accuracy of the data; and
2. maintain complete and accurate database of land acquired with Program funds or license revenue that include the funding source.

Department Response

Department officials concurred with the finding and recommendations.

FWS Response

FWS Regional officials concurred with the finding and recommendations. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendations.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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. Inadequate Assent Legislation

Prior to 1989, the Mississippi Fisheries and Wildlife Bureaus operated under the State Fish and Game Commission. In 1989, the State reorganized the Fish and Game Commission and added the function of a parks agency forming the Department of Wildlife, Fisheries, and Parks. Therefore, the assent legislation, by allowing the use of license revenue for “administration of the Department,” allows for the use of license revenues on park activities.

The State of Mississippi’s legislation assenting to the Wildlife and Sport Fish Restoration Acts does not include a prohibition against diverting license fees for purposes other than the administration of its fish and wildlife activities. While the Mississippi Code of 1972, Annotated 49-5-27 (2011), specifies purposes for which the fish and wildlife license revenues can be used, it does not specifically prohibit the diversion of license revenues to non-fish and non-wildlife program activities such as Parks.

According to 50 CFR § 80.3, a State may participate in the benefits of the Acts only after it has passed legislation which assents to the provisions of the Acts and has passed laws for the conservation of fish and wildlife including a prohibition against the diversion of license fees paid by hunters and sport fishermen to purposes other than the administration of the fish and wildlife agency. In addition, 50 CFR § 80.4 states that administration of the State fish and wildlife agency includes only those functions required to manage the fish and wildlife oriented resources of the State for which the agency has authority under State law.

The Department previously attempted to update its assent legislation during the 2008 legislative session, but the revision did not become law. Failure to enact adequate assent legislation could result in the State becoming ineligible to participate in the Program.

Recommendation

We recommend that FWS requires the Department to work with the State legislature to ensure assent legislation is passed that restricts the use of fish and game license revenues to the administration of the fish and wildlife activities.

Department Response

Department officials concurred with the finding and recommendation.

FWS Response

FWS Regional officials concurred with the finding and recommendation and will work with the Department on a corrective action plan to address this issue.

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- 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 I

State of Mississippi
Department of Wildlife, Fisheries, and Parks
Financial Summary of Review Coverage
July 1, 2009, Through June 30, 2011

Grant Number	Grant Amount	Claimed Costs	Questioned	
			Ineligible	Unsupported
F-3-52	\$260,000	\$260,000		
F-68-27	1,823,900	1,604,344		
F-68-28	1,675,000	1,675,000		
F-70-25	290,970	706,245		
F-70-26	365,000	365,000		
F-71-25	1,031,462	908,668		
F-71-26	1,171,500	846,180		
F-106-18	2,184,000	1,781,988		
F-106-19	1,822,757	1,473,916		
F-140-R-3	125,654	219,894		
F-141-R-3	69,550	147,652		
F-141-R-4	67,031	12,976		
F-143-R-1	135,267	236,747	\$3,896	
F-143-R-2	135,933	216,642		
F-148-B-1	96,550			
W-5-21	1,191,218	1,846,600	17,259	
W-5-22	926,954	926,956		
W-10-65	155,000	137,290		
W-10-66	127,592	203,286		
W-10-67	150,978	70,916		
W-48-57	576,269	713,484		
W-48-58	532,929	234,544		
W-49-56	4,385,135	4,445,785		
W-49-57	4,230,908	6,407,636		
W-49-58	4,770,743	3,468,356		
W-57-36	950,590	2,291,129		
W-57-37	917,968	1,781,157		
W-57-38	956,500	694,512		
W-60-7	184,028	323,757		\$10,602

Grant Number	Grant Amount	Claimed Costs	Questioned	
			Ineligible	Unsupported
W-60-8	\$189,333	\$349,068	\$1,899	
W-60-9	195,013	170,572		
W-61-D-1	376,480	653,590		
W-61-D-2	680,515	2,028		
TOTAL	\$32,752,727	\$35,175,918	\$23,054	\$10,602

Appendix 2

**State of Mississippi
Department of Wildlife, Fisheries, and Parks
Sites Visited**

Headquarters

Jackson, MS

State Lakes

Bill Waller

Columbia

Wildlife Management Areas

Caston Creek

Charles Ray Nix

Chickasawhay

Copiah County

Leaf River

Old River

Pascagoula River

Wolf River

State Fish Hatchery

North Mississippi Education and Visitor Center, Enid

Turcotte

Other

Mississippi Museum of Natural Science

Turcotte Education and Shooting Facility

Appendix 3

**State of Mississippi
Department of Fisheries, Wildlife, and Parks
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2.1, A.2.2, A.3, A.4, B.1, B.2, and C	FWS management concurred with the recommendations, but additional information is needed.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after August 20, 2012) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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