



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 Oklahoma, Department of Wildlife
Conservation, From July 1, 2007, Through June 30, 2009



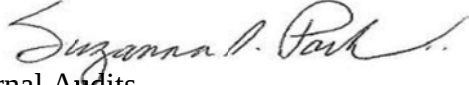
OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

July 29, 2010

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 Oklahoma, Department of Wildlife Conservation, From July 1, 2007, Through June 30, 2009 (No. R-GR-FWS-0006-2010)

This report presents the results of our audit of costs claimed by State of Oklahoma, Department of Wildlife Conservation (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 \$38.9 million on 95 grants that were open during State fiscal years (SFYs) ended June 30 of 2008 and 2009 (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 noted, however, that the Department did not timely request approval for an indirect cost rate to ensure that the Program grants were correctly charged for indirect costs. In addition, the Department had not reconciled its land inventory with records maintained by FWS to ensure accuracy and completeness.

We summarized FWS Region 2 response to the recommendations, as well as our comments on the response. We list the status of the recommendations in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by October 27, 2010. 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, Mr. Bill Streifel, or me at 703-487-5345.

cc: Regional Director, Region 2, 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 \$38.9 million on the 95 grants that were open during SFYs 2008 and 2009 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Oklahoma City, OK, and visited four field offices, two State fish hatcheries, two boat ramps, one land access area, and the Oklahoma City Zoo (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 performed our 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 administration of the Department.
- 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 October 23, 2006, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Oklahoma, Department of Wildlife Conservation, from July 1, 2003 through June 30, 2005" (No. R-GR-FWS-0019-2005). We followed up on all six recommendations in the report and found that the U.S. Department of the Interior, Office of Assistant Secretary for Policy, Management, and Budget considered them resolved and implemented.

We also reviewed the Single Audit Report for SFYs 2008 and 2009. The Department's Wildlife and Sport Fish Restoration Programs were identified as major programs in the Single Audit Report and were tested for both SFYs 2008 and 2009. The report did not contain 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. In addition, we identified conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

Indirect Cost Rate Proposal Not Submitted Timely. The Department did not have an adequate process in place to timely request approval for indirect cost rates and ensure that the Program grants are correctly charged for indirect costs.

Unreconciled Real Property Records. The Department did not reconcile its real property inventory with data maintained by FWS. Therefore, it cannot ensure that its Program lands are being used for their intended purposes.

Findings and Recommendations

A. Indirect Cost Rate Proposal Not Submitted Timely

States are required to obtain approval for an indirect cost rate from the Federal Government. The Department, however, did not submit an indirect cost rate proposal for SFY 2009 to the U.S. Department of the Interior's National Business Center (NBC), which is responsible for negotiating and approving the Department's rate. Instead, the Department used its approved indirect cost rate for SFY 2008 to claim indirect costs on its SFY 2009 Program grants.

According to the Code of Federal Regulations (CFR), in 2 CFR 225, Appendix E, Subsection D.1.a, all departments or agencies of a governmental unit planning to claim indirect costs under federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. Furthermore, 2 CFR 225, Appendix E, Subsection E.1, states that indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency.

This condition occurred because the Department did not have procedures to timely prepare and submit indirect cost rate proposals to NBC. Subsequent to our fieldwork, NBC approved an indirect cost rate for SFY 2009. The Department ultimately did not claim excess indirect costs under the Program because the rate it used was less than the 16.34 percent approved for SFY 2009. Nevertheless, indirect cost rates vary from year to year potentially resulting in overcharges to the Program grants if unapproved rates are used. The Department should therefore submit its indirect cost rate proposals to NBC timely and only use an approved rate to claim indirect costs.

Recommendation
We recommend that FWS ensure the Department implements policies and procedures to prepare and submit indirect cost rate proposals timely so that it claims indirect costs based on an approved indirect cost rate.

Department Response

The Department concurred with the finding and recommendation. It is developing indirect cost procedures, which will be included in the Department's Accounting Section procedures manual.

FWS Response

FWS regional officials concurred with the finding and recommendation and the Department's proposed corrective actions.

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.

B. Unreconciled Real Property Records

The Department and FWS each maintain records on land purchased with Program grant funds; however, these two sets of records do not match. Specifically, the Department's land inventory identified 122,512 acres purchased with Program grant funds, while FWS' land records showed 135,673 acres.

According to 50 CFR § 80.18 and 522 FW 1.15 from the FWS Manual, each State is required to maintain accountability and control of all assets to assure that they are used for the purpose for which acquired throughout their useful life. The FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. This letter requested each State to maintain a real property management system that includes a comprehensive inventory of lands and to ensure that the inventory is accurate and complete.

This issue arose because the Department did not have routine procedures to reconcile its real property inventory with data maintained by FWS. We noted that the Department has begun to reconcile its land inventory but has not yet completed this process. Without accurate records, the Department cannot exercise

full accountability and control of land purchased with Program grant funds and cannot ensure the lands are being used for their intended purposes.

Recommendation
We recommend that FWS ensure the Department implements policies and procedures to periodically reconcile its land inventory with FWS' records.

Department Response

The Department concurred with the finding and recommendation. The Department has coordinated with the land grants manager of FWS Region 2 to implement a schedule to reconcile Oklahoma's land inventory. The initial reconciliation will be completed by September 30, 2011, with reconciliations to occur each year thereafter. All donated lands and lands purchased with Federal funds and license revenues will be reconciled.

FWS Response

FWS regional officials concurred with the finding and recommendation and the Department's proposed corrective actions.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including:

- 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

**State of Oklahoma
Department of Wildlife Conservation
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009**

Grant Number	Grant Amount	Claimed Costs
F-5-C-43	\$120,000	\$125,456
F-5-C-44	125,000	91,758
F-5-C-45	100,000	
F-43-D-22	2,900,000	2,615,401
F-43-D-23	2,895,000	2,651,162
F-43-D-24	2,900,000	
F-45-D-21	3,180,955	2,300,548
F-46-D-21	204,000	188,210
F-46-D-22	210,000	205,273
F-46-D-23	194,000	
F-47-E-20	431,000	333,198
F-47-E-21	352,000	335,223
F-47-E-22	359,500	
F-50-R-14	345,000	270,042
F-50-R-15	368,559	387,907
F-50-R-16	539,984	274,400
F-54-D-6	75,000	67,537
F-54-D-7	83,000	84,694
F-58-R-4	12,273	12,273
F-59-E-1	300,000	281,965
F-60-D-2	696,740	667,384
F-61-R-3	612,567	656,722
F-61-R-4	492,204	473,565
F-62-R-3	50,000	49,406
F-63-D-2	525,000	356,038
F-63-D-3	552,000	444,929
F-63-D-4	512,000	
F-64-D-2	540,000	521,482
F-64-D-3	896,875	386,740

State of Oklahoma
Department of Wildlife Conservation
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs
F-64-D-4	\$500,000	
F-65-D-2	401,000	\$408,920
F-65-D-3	344,000	311,069
F-65-D-4	187,036	103,063
F-66-D-2	158,000	148,889
F-66-D-3	214,000	200,169
F-66-D-4	202,625	
F-67-D-2	454,000	458,967
F-67-D-3	476,700	418,519
F-67-D-4	317,350	
F-68-D-2	154,000	153,368
F-68-D-3	161,700	132,985
F-68-D-4	173,644	85,932
F-69-D-2	190,000	154,430
F-69-D-3	600,000	582,883
F-69-D-4	1,000,272	
F-70-D-2	525,000	366,576
F-70-D-3	552,000	304,875
F-70-D-4	342,772	
F-72-L-1	1,180,000	1,195,387
F-73-R-2	80,600	80,600
F-73-R-3	48,600	48,598
F-74-R-1	201,200	206,359
F-75-R-1	228,000	30,951
F-76-O-1	133,334	133,333
F-77-R-1	21,000	10,024
F-78-R-1	174,000	4,479
F-79-D-1	106,500	121,568
F-79-D-2	242,182	106,298

State of Oklahoma
Department of Wildlife Conservation
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs
F-80-D-1	\$30,000	
FW-28-O-3	175,000	\$100,010
FW-30-L-1	165,000	706
FW-31-D-1	1,500,000	
W-12-C-47	97,000	101,151
W-12-C-48	97,000	95,370
W-32-R-58	80,000	69,604
W-32-R-59	80,000	101,352
W-80-R-47	360,000	377,743
W-80-R-48	360,000	355,137
W-82-R-47	302,500	
W-82-R-48	302,500	354,049
W-96-L-6	170,000	162,911
W-110-S-35	820,120	2,113,891
W-110-S-36	820,000	3,864,208
W-138-M-24	900,000	920,913
W-138-M-25	900,000	1,019,071
W-139-M-24	1,052,000	1,024,315
W-139-M-25	1,052,000	1,330,052
W-140-M-24	1,200,000	1,207,779
W-140-M-25	1,200,000	1,446,536
W-141-M-24	400,000	506,470
W-141-M-25	400,000	767,229
W-143-D-21	405,000	274,726
W-143-D-22	405,000	308,642
W-144-M-14	760,000	883,230
W-144-M-15	760,000	1,068,981
W-154-R-5	30,000	44,704
W-154-R-6	30,000	88,164

State of Oklahoma
Department of Wildlife Conservation
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs
W-155-R-5	\$40,000	\$40,000
W-156-R-4	106,000	77,677
W-156-R-5	106,000	111,402
W-157-D-4	575,000	392,172
W-158-R-3	40,000	40,000
W-159-E-1	30,000	29,817
W-160-R-1	80,000	40,043
W-161-R-1	36,667	
Total	\$45,808,958	\$38,867,610

Appendix 2

State of Oklahoma Department of Wildlife Conservation Sites Visited

Headquarters

Oklahoma City

Field Offices

East Central Region Office, Porter
Fishery Research Laboratory, Norman
Lake Maintenance Office, Lake Louis Burtschi, Cement
North Central Region Office, Ponca City

State Fish Hatcheries

Holdenville
J.A. Manning

Boat Ramps

Lake Tenkiller
Sahoma Lake

Other Locations

Helen Watts Land Access
Oklahoma City Zoo

Appendix 3

State of Oklahoma
Department of Wildlife Conservation
Status of Audit Findings and Recommendations

Recommendations	Status	Action Required
A and B	FWS management concurs 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 October 27, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

Report Fraud, Waste, and Mismanagement



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