



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 Marine Resources,  
From July 1, 2009, Through June 30, 2011




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

August 9, 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 Marine  
Resources, From July 1, 2009, Through June 30, 2011  
Report No. R-GR-FWS-0007-2012

This report presents the results of our audit of costs claimed by the State of Mississippi (State), Department of Marine Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Sport Fish Restoration Program (Program). The audit included claims totaling \$1,796,156 on 18 grants that were open during State fiscal years (SFYs) 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 fishing license revenues.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$5,489 because the Department applied the SFY 2010 indirect cost rate to SFY 2011 expenditures on grant F-118-13 (Grant Coordination and Administration in Coastal Mississippi). We also found that the Department has not passed legislation assenting to the Dingell-John Sport Fish Restoration Act, which is a prerequisite for participation in the Program.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 4 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 November 7, 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, or me at 703-487-5345.

cc: Regional Director, Region 4, U.S. Fish and Wildlife Service

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# Introduction

## Background

The Dingell-Johnson Sport Fish Restoration Act (Act)<sup>1</sup> established the Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Services (FWS) provides grants to States to restore, conserve, manage, and enhance their sport fish resources. The Act 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 Act also requires that fishing license revenues be used only for the administration of the State's fish agency. 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 Mississippi (State), Department of Marine Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Act and related regulations, FWS guidelines, and the grant agreements;
- used State fishing license revenues solely for fish program activities; and
- reported and used program income in accordance with Federal regulations.

## Scope

Audit work included claims totaling approximately \$1,796,156 on the 18 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 Biloxi, MS, and visited one fish hatchery, one artificial reef staging area, one estuarine research reserve, and one boat harbor (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 evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> 16 U.S.C. § 777, as amended.

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 fishing license revenues solely for the administration of fish program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Act.

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 June 6, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Mississippi, Department of Marine Resources, from July 1, 2004 through June 30, 2006" (No. R-GR-FWS-0004-2007). We followed up on all recommendations in the report and found that the U.S. Department of the Interior's 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. None of these reports contained any findings that would directly affect the Program grants.

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# 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, two conditions that resulted in the findings listed below, including questioned costs totaling \$5,489.

**Questioned Costs.** We questioned costs totaling \$5,489 because the Department applied the SFY 2010 indirect cost rate to SFY 2011 expenditures on grant F-118-13.

**Inadequate Assent Legislation.** The Department has not passed legislation assenting to the Act, which is a prerequisite for participation in the Program.

## Findings and Recommendations

### A. Questioned Costs — \$5,489

The Code of Federal Regulations (CFR), 2 CFR § 225, Appendix E, section A.3, states indirect costs are normally charged to Federal grants by the use of an indirect cost rate. All departments or agencies desiring to claim indirect costs under Federal awards must prepare and submit an indirect cost rate proposal each fiscal year to their cognizant agency for approval (2 CFR § 225, Appendix E, section D.1.d). The Department applied the SFY 2010 indirect cost rate to SFY 2011 expenditures on grant F-118-13 (Grant Coordination and Administration in Coastal Mississippi).

Federal regulations, 2 CFR § 225, Appendix A, sections C.1(b) and (c), states that for a cost to be allowable it must be allocable and must not be prohibited.

A Department official was not aware that the indirect cost rate had to be used for the negotiated period only. When a grant covers two SFYs, the applicable SFY indirect cost rates must be used. Because the SFY 2010 rate (31.36 percent) was higher than SFY 2011 rate (20.53 percent), it resulted in an overcharge of \$7,319 to grant F-118-13. Therefore, we are questioning \$5,489 Federal share of ineligible indirect costs.

### Recommendation

We recommend that FWS resolve the questioned costs of \$5,489.

**Department**

Department officials concurred with the finding and recommendation.

**FWS Response**

FWS Regional officials concurred with the finding and recommendation and will address the recommendation in a pending corrective action plan.

**OIG Comments**

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

- the specific actions(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. Inadequate Assent Legislation**

The State assented to the Act under legislation for the Department of Wildlife, Fisheries, and Parks (DWFP). When the State established the Department under Code of 1972, section 49-15-11, it did not pass assent legislation specific to the Department. Prior to this legislation, the Department was a bureau under the DWFP.

According to Federal regulations (50 CFR § 80.3), a State may participate in the benefits of the Act only after it has passed legislation which assents to the provisions of the Act and has passed laws for the conservation of fish including a prohibition against the diversion of license fees paid by sport fishermen to purposes other than the administration of the fish agency.

Because the State did not assent to the Act when the Department was established, it may not be eligible to participate in the Program.

**Recommendation**

We recommend that FWS require the Department to work with the State legislature to ensure assent legislation is passed.

**Department**

Department officials concurred with the finding and recommendation.



**FWS Response**

FWS Regional officials concurred with the finding and recommendation and will address the recommendation in a pending corrective action plan.

**OIG Comments**

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

- the specific actions(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 Marine Resources  
Financial Summary of Review Coverage  
July 1, 2009, Through June 30, 2011

Grant Number	Grant Amount	Claimed Costs	Questioned Costs Ineligible
F-95-19	\$75,000	\$77,517	
F-95-20	66,400	66,832	
F-95-21	66,134		
F-118-12	180,000	135,895	
F-118-13	158,400	121,368	\$5,489
F-118-14	158,400	53,201	
F-122-8	60,000	13,257	
F-122-9	60,000	22,684	
F-126-10	190,000	84,167	
F-126-11	190,000	190,000	
F-131-8	259,520	257,651	
F-131-9	260,541	229,002	
F-131-10	289,019	290,420	
F-132-09	119,205	114,665	
F-132-10	73,180	73,098	
F-132-11	73,098	66,399	
F-145-B-1	142,400		
F-147-B-1	50,000		
<b>TOTAL</b>	<b>\$2,471,297</b>	<b>\$1,796,156</b>	<b>\$5,489</b>

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## Appendix 2

**State of Mississippi**  
**Department of Marine Resources**  
**Sites Visited**

**Headquarters**  
Biloxi, MS

**Fish Hatchery**  
Lyman (Gulfport)

**Other**  
Artificial Reef staging yard (Gulfport)  
Boat Harbor (Pass Christian)  
National Estuarine Research Reserve (Moss Point)

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## Appendix 3

**State of Mississippi  
Department of Marine Resources  
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A and B	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 November 7, 2012) 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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Washington Metro Area:      202-208-5300

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