



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 Washington, Department of Fish and Wildlife,
From July 1, 2010, Through June 30, 2012

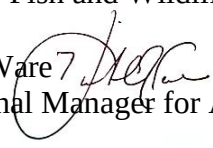


**OFFICE OF
INSPECTOR GENERAL**
U.S. DEPARTMENT OF THE INTERIOR

June 24, 2013

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Hannibal M. Ware 
Eastern Regional Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of Washington, Department of
Fish and Wildlife, From July 1, 2010, Through June 30, 2012
Report No. R-GR-FWS-0007-2013

This report presents the results of our audit of costs claimed by the State of Washington, Department of Fish and Wildlife (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 \$45 million on 48 grants that were open during the State fiscal years that ended June 30, 2011, and June 30, 2012 (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. The Department, however, had not reconciled its land records with those of FWS, and it retained approximately \$1.5 million in program income without FWS approval.

We provided a draft report to FWS for a response. In this report, we summarize the Department and FWS Region 1 responses, as well as our comments on the responses. Appendix 3 lists the status of the recommendations.

Please provide us with a corrective action plan based on our recommendations by September 23, 2013. The plan should include information on actions you and the Department have taken or are planning to take to address the recommendations, the target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Department.

Please address your response to:

Hannibal M. Ware
Eastern Regional Manager
for Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

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 the audit team leader, Tim Horsma, at 916-978-5668, or me at 703-487-8058.

cc: Regional Director, Region 1, 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 they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Washington (State), Department of Fish and Wildlife (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and 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 approximately \$45 million on the 48 grants open during the State fiscal years (SFYs) that ended June 30, 2011, and June 30, 2012 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department headquarters in Olympia, WA, and visited one regional office, two hatcheries, two field facilities, four wildlife areas, one land access area, one wildlife survey and management district, four water access sites, and four law enforcement offices (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 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 tested records and conducted auditing procedures as necessary under the circumstances. We believe

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

that the 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 July 27, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Washington, Department of Fish and Wildlife, From July 1, 2004, Through June 30, 2006" (Report No. R-GR-FWS-0002-2007). 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 the single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. None 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, the following conditions that resulted in our findings.

A. Unreconciled Real Property Records. The Department had not reconciled its grant-funded real property records with those of FWS.

B. Unauthorized Retention of Program Income. The Department incorrectly retained approximately \$1.5 million in program income without FWS approval.

Findings and Recommendations

A. Unreconciled Real Property Records

To maintain control over the use of land acquired with Program funds, the State must ensure that its database of real property acquired with Program funds and license revenue is accurate and reconciles with land records maintained by FWS. FWS and the Department agreed that a reconciliation had not been performed.

The Code of Federal Regulations (50 C.F.R. § 80.18(c)) requires States to be responsible for the accountability and control of all assets acquired with Program funds to ensure that they are used for the purpose for which they were acquired throughout their useful life. In addition, the FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. The letter requested that each State maintain a real property management system that includes a comprehensive inventory of lands to ensure that its inventory is accurate and complete.

Department officials were not aware that a reconciliation of Program-funded land records with FWS land records was required to determine accuracy and completeness. Since reconciliation of the land records has not been performed, the Department's official land records may not be adequate to ensure that land acquired with Program funds are used solely for their intended purpose.

Recommendation

We recommend that FWS work with the Department to reconcile their respective records of lands purchased with Program funds.

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.

OIG Comments

We consider the recommendation resolved but not implemented.

B. Unauthorized Retention of Program Income

Under the Program, States may earn revenue, or program income, from grant-supported activities but must report and use such funds in accordance with Federal regulations. The Code of Federal Regulations (43 C.F.R. § 12.65(b)) defines program income as gross income a grantee receives that is “directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.” When authorized, the regulations (43 C.F.R. § 12.65(g)(2)) permit program income to be added to the funds committed to the grant agreement by the Federal agency and the grantee and be used for grant purposes. The regulations (43 C.F.R. § 12.61(f)(2)) also require that grantees disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting reimbursement.

The Department earned program income under its annual Wildlife Area Program grants (W-94-D) from wildlife-oriented timber sales and other traditional sources including grazing permits, easements, and Farm Bill payments. The Department was authorized to use the additive method, which allows it to add the additional funds to those committed to the grant agreement by the Federal agency and the grantee. The Department was required to use all of the program income it had earned before it could request reimbursement from FWS. The Department, however, retained approximately \$1.5 million of unspent program income accumulated from SFYs 2009 through 2012 without FWS authorization.

Department officials stated they were unaware of the requirement to expend program income prior to requesting grant reimbursement. As a result, the Department may have obtained excess reimbursement from FWS.

Officials stated the Department plans to incorporate the unspent program income into future Wildlife Area Program grant spending plans.

Recommendation

We recommend that FWS resolve the unauthorized retention of approximately \$1.5 million of program income from Wildlife Area Program grants (W-94-D-26, W-94-D-27, W-94-D-28, and FIIAF00116 (W-94-D-29)).

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.

OIG Comments

We consider the recommendation resolved but not implemented.

Appendix I

State of Washington
Department of Fish and Wildlife
Financial Summary of Review Coverage
July 1, 2010, Through June 30, 2012

FY 2011 iFAIMS Grant Number	FY 2012 FBMS Number	FY 2012 iFAIMS Ref Grant Number	Grant Amount	Claimed Costs
F-43-D-53	NA		\$87,924	\$87,680
F-43-D-54	NA		33,707	33,707
	F11AF00011	F-43-D-55	83,410	78,676
F-84-B-25	F10AF00035		1,638,876	1,626,447
	F11AF00109	F-84-B-26	1,554,716	1,554,714
F-91-AE-25	F10AF00042		595,597	522,848
	F11AF00110	F-91-AE-26	412,327	299,385
F-97-R-23	NA		50,932	50,017
F-97-R-24	F11AF00232		50,933	49,221
	F12AF00150	F-97-R-25	50,933	37,491
F-112-R-17	NA		1,270,622	1,267,884
F-112-R-18	F11AF00259		1,270,622	1,270,622
	F11AF00112	F-112-R-19	1,270,623	906,307
F-123-D-9	F10AF00030		985,868	572,108
	F11AF00337	F-123-D-10	944,961	944,961
F-124-D-9	F10AF00041		1,708,687	1,638,459
	F11AF00338	F-124-D-10	1,749,593	1,732,922
F-125-D-8	NA		389,795	181,448
F-125-D-9	F11AF00247		354,164	250,541
	F11AF00113	F-125-D-10	353,984	29,845
F-127-R-7	NA		1,672,839	1,600,144
F-127-R-8	F11AF00262		1,867,689	1,714,856
	F11AF00114	F-127-R-9	1,616,594	895,610
F-130-R-4	NA		1,938,007	1,837,715
F-130-R-5	F11AF00260		1,938,007	1,875,103
	F11AF00012	F-130-R-6	2,295,834	970,341
F-132-R-1	NA		85,851	85,819
F-132-R-2	F11AF00251		85,851	76,783
	F11AF00013	F-132-R-3	85,851	47,319
F-134-C-1	F11AF00269		\$55,494	\$55,494
FW-2-T-28	NA		\$617,231	\$617,228
	F11AF00336	FW-2-T-29	585,534	584,930

FY 2011 iFAIMS Grant Number	FY 2012 FBMS Number	FY 2012 iFAIMS Ref Grant Number	Grant Amount	Claimed Costs
W-2-L-3	NA		0	0
W-2-L-4	F09AF00034		443,753	361,968
W-11-L-5	F10AF00023		266,667	70,364
W-41-D-59	F10AF00116		423,031	411,024
	F11AF00111	W-41-D-60	566,317	479,720
W-42-L-59	F10AF00090		898,864	675,344
	F11AF00014	W-42-L-60	811,091	571,355
W-59-L-1	NA		0	0
W-83-HS-40	F10AF00031		1,721,946	1,721,946
	F11AF00115	W-83-HS-41	1,723,851	1,474,365
W-94-D-28	F11AF00258		2,088,102	2,014,212
	F11AF00116	W-94-D-29	2,599,494	2,599,494
W-96-R-18	F11AF00268		5,525,519	4,880,089
	F11AF00141	W-96-R-19	5,727,692	5,046,375
W-98-E-10	F10AF00032		208,876	189,360
W-99-L-1	F10AF00083		1,072,000	1,006,635
Totals			\$51,780,259	\$44,998,877

Appendix 2

State of Washington Department of Fish and Wildlife Sites Visited

Headquarters

Olympia

Regional Office

Region 6 Montesano

Hatcheries

Bogachiel Rearing Pond
Nemah

Field Facilities

North Coastal Field Station
Willapa Bay Field Station

Wildlife Area

Olympic
Anderson Homestead Unit
Chinook Unit
Nemah River-Estuary Unit

Region 6 Land Access Area

Osgood Trust Property

Wildlife Survey & Management

District 15 (Mason, Kitsap, E. Jefferson County)

Water Access Sites

Rearing Pond
South Montesano
Sutherland Lake
West Fork Satsop

WDFW Law Enforcement

Region 6 – Montesano
Long Beach (Pacific Co.)
Port Angeles (Clallam Co.)
Westport (Grays Harbor Co.)

Appendix 3

**State of Washington
Department of Fish and Wildlife
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A and B	FWS management concurred with recommendations A and B, but additional information is needed.	Based on the FWS response, the corrective action plan should include 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 of the actions taken or planned by the Department. We will refer the recommendations not resolved or implemented at the end of 90 days (after September 23, 2013) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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