



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 New York, Department of Environmental  
Conservation, From April 1, 2009, Through March 31, 2011



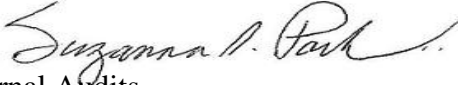
OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

November 2, 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 New York, Department of  
Environmental Conservation, From April 1, 2009, Through March 31, 2011  
Report No. R-GR-FWS-0008-2012

This report presents the results of our audit of costs claimed by the State of New York (State), Department of Environmental Conservation (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 \$103.5 million on 25 grants that were open during State fiscal years that ended March 31, 2010, and March 31, 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 \$32,997 representing the ineligible Federal share on the Sportsman's Education Program grant (W-125-S-37). We also identified deficiencies related to (1) inadequate assent legislation, and (2) inadequate internal controls over equipment management.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 5 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 January 31, 2013. 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, Chris Krasowski, or me at 703-487-5345.

cc: Regional Director, Region 5, 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)<sup>1</sup> 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 New York (State), Department of Environmental Conservation (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 \$103.5 million on the 25 grants open during State fiscal years (SFYs) that ended March 31, 2010, and March 31, 2011 (see appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Albany, NY, and visited the Bureau of Marine Resources, three regional offices, one sub-office, two operations centers, four wildlife management areas, one natural resources management area, one game farm, one fisheries research station, three fish hatcheries, and two boat access areas (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,

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<sup>1</sup> 16 U.S.C. §§ 669 and 777, as amended, respectively.

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.

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 June 27, 2008, we issued "Audit on the U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New York, Department of Environmental Conservation, Division of Fish, Wildlife, and Marine Resources" (R-GR-FWS-0015-2007). We followed up on all 17 recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considered 10 recommendations resolved and implemented and 7 recommendations as resolved but not yet implemented. As discussed in the Findings and Recommendations section of this report, we are repeating six unimplemented recommendations (D.1 – D.6) from R-GR-FWS-0015-2007, which relate to inadequate controls over equipment management.

Our current audit scope included the areas covered in the prior audit. Where conditions exist that still need improvement, we reported them in the Findings and Recommendations section of this report and both repeat the relevant recommendations from our prior report and make new recommendations.

Documentation on the implementation of repeat recommendations should be sent to PMB.

We reviewed single audit reports and comprehensive annual financial reports for 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, several conditions that resulted in the findings listed below, including questioned costs totaling \$32,997.

**Questioned Costs.** We questioned \$32,997 representing the ineligible Federal share on the Sportsman Education Program grant (W-125-S-37) due to an overstatement of hunter education volunteer instructor hours reported for use as in-kind match.

**Inadequate Assent Legislation.** The most recent State bill includes a clause that appears to allow for the diversion of license revenue.

**Inadequate Internal Controls over Equipment Management.** We repeated the six recommendations from our prior audit report. Similar conditions exist since the Department has not committed any resources to correcting the internal control weaknesses.

## Findings and Recommendations

### A. Questioned Cost — Ineligible In-Kind Match — \$32,997

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. Noncash (“in-kind”) contributions may be used to meet States’ matching share of costs, and as with costs claimed for reimbursement, States must provide documentation supporting the value of these contributions. The State’s matching share of costs on its Sportsman Education Program grant (W-125-S-37) included in-kind contributions consisting of the value of volunteer instructor hours.

The Department maintains a database of hunter education in-kind volunteer instructor hours. A sample of the time and activity records that support the information in the database showed a systemic problem with recorded hours that are scanned into the database. We compared the information from the time and activity records to the database used for reporting hours to FWS and found that the Department overstated volunteer hours by 346. In addition, the Department did not have an approved in-kind hourly rate by FWS on grant W-125-S-37. We therefore used the approved rate of \$31.79 from the prior grant period (W-125-S-36).



The table below identifies the ineligible overstated hours by class.

**SFY 2010 Volunteer Hours**

<b>Class ID#</b>	<b>Time and Activity Record</b>	<b>Database</b>	<b>Number Hours Overstated</b>
H1001006	0.5	5.0	4.5
H1001006	0.5	15.0	14.5
H1001006	1.0	10.0	9.0
H1001006	1.0	10.0	9.0
H1001006	1.0	10.0	9.0
H1001006	0.5	5.0	4.5
H1017904	0.5	5.0	4.5
H1017904	0.5	20.0	19.5
H1017904	0.5	20.0	19.5
H1026007	3.5	35.0	31.5
H1026007	0.5	5.0	4.5
H1026007	1.5	15.0	13.5
H1031015	1.5	15.0	13.5
H1031015	8.0	80.0	72.0
H1039004	12.0	62.0	50.0
H1040015	1.5	15.0	13.5
H1040015	1.5	10.0	8.5
H1040015	1.5	15.0	13.5
H1056003	0.5	5.0	4.5
H1056003	0.5	5.0	4.5
H1057009	1.0	10.0	9.0
B1021001	1.5	15.0	13.5
<b>TOTALS</b>	<b>41.0</b>	<b>387.0</b>	<b>346.0</b>

The Code of Federal Regulations (CFR), 43 CFR § 12.64(b)(6), outlines requirements for matching or cost sharing records. It 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.

The scanning process was unable to differentiate decimal points from whole numbers resulting in overstated volunteer hours. For example, 2.5 hours reported on the time and activity report were reported as 25 hours in the database, resulting in a significant overstatement of volunteer hours actually worked. In addition, the Department, which has undergone personnel changes within the Program, did not have policy and procedures in place to make staff aware of their responsibilities

with respect to identifying and supporting a rate to be used for in-kind match. The Department overstated its 25 percent matching share of \$10,999 (346 hours at \$31.79 per hour) for in-kind contributions from volunteer hours claimed on grant W-125-S-37. We are therefore questioning the Federal share of \$32,997 (75 percent).

### **Recommendations**

We recommend that FWS:

1. Resolve the ineligible costs of \$32,997;
2. Ensure that the Department implements procedures necessary to correct weaknesses in data entry scanning process; and
3. Ensure that the Department implements policy and procedures identifying responsibility for all program and financial personnel associated with the Sportsman Education Program grant, including establishing and supporting a rate for in-kind match.

### **Department Response**

Department officials concurred with the finding and recommendations.

### **FWS Response**

FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

### **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. Inadequate Assent Legislation**

For our audit period, the State's legislation assented to the Acts and included a prohibition against diverting license fees for purposes other than the administration of its fish and wildlife activities. During our audit, we determined that the most recent State legislation bill no. A.9059--D, signed March 30, 2012,

includes a clause (§ 13-a) that appears to allow for the transfer of special revenue funds, which would include Federal Program funds as well as State license revenue. It states: “Notwithstanding any law to the contrary, and in accordance with section 4 of the state finance law, the comptroller is hereby authorized and directed to transfer, at the request of the director of the budget, up to \$38 million from the unencumbered balance of any special revenue fund or account, or combination of funds and accounts, to the community projects fund.”

According to 50 CFR § 80.3, a State “may participate in the benefits of the Act(s) 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(b) states: “For the purposes of this rule, 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 State’s current legislation could be interpreted as not prohibiting the use of Program grant and State license revenues for other than fish and wildlife purposes. Failure to enact assent legislation could result in the State becoming ineligible 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 that restricts the use of Program grant funds and State license revenues to operations related to the administration of the fish and wildlife resources.

#### **Department Response**

Department officials stated that the Legislature is not expected to be in session prior to January 2013. The Executive branch controls expenditures and the section at issue requires that the Budget Director exercise discretion in the sweeping of funds. In keeping with the Executive’s intention to exclude the Conservation Fund and other similarly situated funds from being swept, the Budget Director has written a memo to the Governor’s Counsel stating in no-uncertain terms that he will not ask for any of those funds to be swept. The Assistant Governor’s Counsel has also committed to working with FWS to ensure that language is included in the 2013-14 Executive Budget which will be presented to the legislature in January 2013 for consideration.

**FWS Response**

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

**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.

**C. Inadequate Internal Controls Over Personal Property Management**

Federal and State regulations require grantees to maintain adequate control over personal property. Equipment purchased with Program funds and license revenue must be used for their intended purposes. Our prior audit report (R-GR-FWS-0015-2007) identified six recommendations related to inadequate controls over personal property management. A Department official stated that no resources were available to correct the identified deficiencies and all six recommendations remain unimplemented.

We conducted a limited review of the personal property management systems and found that equipment items were—(1) not tagged, (2) not identified in the Property Management Databases, and (3) not at the assigned location. We reported a similar condition, in addition to other internal control weakness cited in the prior audit report, we therefore are repeating all six recommendations (D.1 – D.6), which will be tracked under the resolution process for the prior audit.

## **Repeat Recommendations**

We recommend that FWS require the Department to:

1. Obtain approval for future equipment purchases until the Department ensures that the property management system includes a funding source field;
2. Develop a clear and consistent definition of equipment that is utilized in property and procurement regulations, policies, and procedures (including dollar thresholds and sensitivity levels, as appropriate);
3. Ensure that personnel using the equipment are accountable and responsible for the equipment;
4. Train Bureau of Marine Resources staff responsible for the coding of purchases to ensure that all purchases of equipment are properly classified; that property management, transportation services, and the local property coordinator are notified of such purchases; and that tags are received and attached to all equipment;
5. Develop policies and implement procedures to ensure that property transactions forms for all equipment are submitted to property management and transportation services when required; and
6. Provide documentation to FWS that it has completed its annual verification and certification of property through a physical hands-on inspection.

### **Department Response**

Department officials concurred with the finding and repeat recommendations.

### **FWS Response**

FWS Regional officials concurred with the finding and repeat recommendations and will work with the Department on a corrective action.

### **OIG Comments**

The implementation of these repeat recommendations will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of these repeat recommendations to the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget.

# Appendix I

State of New York  
Department of Environmental Conservation  
Financial Summary of Review Coverage  
April 1, 2009, Through March 31, 2011

Grant Number	Grant Amount	Claimed Costs	Questioned Ineligible Costs
F-38-D-22	\$876,000	\$1,159,575	
F-38-D-23	876,000	1,082,068	
F-38-D-24	4,655,242	779,749	
F-49-R-7	15,476,105	16,297,224	
F-49-R-8	21,368,779		
F-50-E-10	665,271	945,621	
F-50-E-11	3,681,572	687,743	
F-52-D-4	2,712,508	832,951	
F-53-R-1	1,171,696	2,128,981	
F-54-R-1	353,713	623,228	
F-55-R-1	8,087,439	8,335,454	
F-56-R-1	1,676,134	2,731,418	
F-57-R-1	720,000	789,672	
F-58-R-1	889,086	1,057,159	
F-59-R-1	2,541,536	3,259,800	
F-60-D-1	1,800,000	10,115,500	
F-61-R-1	24,096,084	7,337,115	
F-104-D-1	2,506,660	2,073,279	
F-105-D-1	243,640		
FW-48-R-1	6,861,175	948,133	
FW-49-T-1	11,991,807	2,271,180	
W-125-S-37	11,607,980	7,173,094	\$32,997
W-175-D-2	11,957,121	5,131,217	
W-176-L-1	105,476		
WE-173-G-19	41,540,945	27,727,530	
<b>Total</b>	<b>\$178,461,969</b>	<b>\$103,487,691</b>	<b>\$32,997</b>

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# Appendix 2

**State of New York  
Department of Environmental Conservation  
Sites Visited**

**Headquarters**

Albany, NY

**Bureau of Marine Resources**

East Setauket, NY

**Regional Offices**

Region 1 - Stony Brook, NY

Region 3 - New Paltz, NY

Region 6 – Watertown, NY

**Sub-Office**

Cortland, NY

**Operations Center**

Brownville, NY

Ridge Hunter Check Station (Ridge, NY)

**Wildlife Management Areas**

Ashland

Connecticut Hill

Happy Valley

Tivoli Bay

**Natural Resources Management Area**

Rocky Point

**Game Farm**

Richard E. Reynolds

**Fisheries Research Station**

Lake Ontario Research Station at Cape Vincent

**Fish Hatcheries**

Oneida

Rome

Salmon River

**Boat Access**

Godfrey Point

## Appendix 3

**State of New York**  
**Department of Environmental Conservation**  
**Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, A.3, 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 January 31, 2013) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
Repeat Recommendations C.1, C.2, C.3, C.4, C.5, and C.6	Repeat recommendations from our prior report (R-GR-FWS-0015-2007, recommendations D.1, D.2, D.3, D.4, D.5, and D.6). PMB considers these recommendations resolved but not implemented.	Provide documentation regarding the implementation of these repeat recommendations to PMB.



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