



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 Hawaii, Department of Land and Natural
Resources, From July 1, 2008, Through June 30, 2010



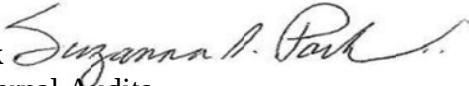
OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

December 13, 2011

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 Hawaii, Department of Land and Natural Resources, From July 1, 2008, Through June 30, 2010 (No. R-GR-FWS-0009-2011)

This report presents the results of our audit of costs claimed by the State of Hawaii (the State), Department of Land and Natural Resources (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 \$17.1 million on 31 grants that were open during State fiscal years (SFYs) that ended June 30, 2009, and June 30, 2010 (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 except the Department drew down funds in advance without obtaining authorization from FWS.

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

Please respond in writing to the finding and recommendation included in this report by March 12, 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, Lawrence Kopas, or me at 703-487-5345.

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. 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 \$17.1 million on the 31 grants that were open during SFYs that ended June 30, 2009, and June 30, 2010 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department headquarters in Honolulu, HI, and visited six small boat harbors, five branch offices, one tree nursery, and the hunter education office in Honolulu (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.
- 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 January 16, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Grants Awarded to the State of Hawaii, Department of Land and Natural Resources, From July 1, 2003, Through June 30, 2005" (No. R-GR-FWS-0003-2006). We followed up on all 10 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 them to be resolved and implemented.

We reviewed Hawaii's Comprehensive Annual Financial Report and the Department's Single Audit Report for SFY 2009 and determined that 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. In addition, we identified a condition that resulted in the finding listed below. We discuss the finding in more detail in the Finding and Recommendation section.

Unauthorized Advance Drawdowns. The Department drew down funds in advance without obtaining authorization from FWS.

Finding and Recommendation

A. Unauthorized Advance Drawdowns

Under the Program, grant funds can be drawn down after the expense is incurred or in advance with authorization from FWS. We found that the Department, without obtaining authorization from FWS, drew down Federal funds before the expenses were incurred.

According to the United States Code, in 16 U.S.C.777f(a), the U.S. Department of the Interior (DOI) will pay for Program projects after their completion, or at the discretion of DOI, payments can be made as projects progress or can be advanced to States, but only for the Federal share.

A Departmental official stated that the advance drawdowns were made because the Department did not have sufficient funds to pay vendor invoices. Based on our review, we found that the Department did not have policies and procedures to ensure that drawdowns did not occur until after the expenses were incurred or advances were authorized by FWS.

When drawdowns of Federal funds are made in advance without receiving authorization from FWS, the Department hinders FWS' ability to effectively oversee the Program grants and ensure that funds are used efficiently and appropriately.

Recommendation
We recommend that FWS work with the Department to develop a policy and procedures to ensure drawdowns of grant funds do not occur until either (1) the expenses are incurred or (2) advances are authorized by FWS.

Department Response

Department officials concurred with the finding and recommendation at the exit conference and responded with procedures for processing invoice payments.

FWS Response

FWS Regional officials concurred with the finding and recommendation. FWS is working with the Department to minimize the fiscal impact to both State and Federal funds and will address any outstanding issues in the corrective action plan.

OIG Comments

Based on the Department and FWS responses, 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.

Appendix 1

State of Hawaii
Department of Land and Natural Resources
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs
F-11-D-33	\$348,000	\$428,347
F-11-D-34	172,000	235,856
F-12-D-33	973,333	816,650
F-12-D-34	400,000	1,136,112
F-13-C-33	140,000	66,134
F-13-C-34	140,000	136,942
F-14-R-33	315,000	369,107
F-14-R-34	477,000	443,985
F-15-T-33	35,000	35,713
F-15-T-34	60,000	34,264
F-16-T-33	84,000	188,619
F-16-T-34	200,000	184,976
F-17-R-33	1,635,000	2,118,008
F-17-R-34	1,869,000	1,382,186
F-18-AE-22	422,000	314,490
F-18-AE-23	425,000	280,057
F-19-B-28	450,000	450,000
F-19-B-33	250,000	234,467
F-19-B-35	930,000	1,142,064
F-19-B-36	230,000	0
F-19-B-38	60,000	12,782
F-19-B-39	1,000,000	774,922
FW-1-DE-1	1,047,000	978,624
W-21-HS-31	532,500	637,014
W-21-HS-32	556,900	660,023
W-21-HS-33	695,667	589,632
W-22-G-14	1,200,000	1,101,722
W-22-G-15	1,200,000	1,175,933
W-23-NG-14	318,191	561,671
W-23-NG-15	301,388	600,071
W-24-D-1	106,666	0
Total	\$16,573,645	\$17,090,371

Appendix 2

State of Hawaii
Department of Land and Natural Resources
Sites Visited

Headquarters
Administrative Services Office – Honolulu

Division of Forestry & Wildlife
Hawaii Branch
Kamuela State Tree Nursery
Maui Branch

Division of Aquatic Resources
Hawaii Branch
Maui Branch
Oahu Branch

Division of Conservation and Resources Enforcement
Hunter Education Program - Honolulu Office

Division of Boating and Ocean Recreation - Small Boat Harbors

Hawaii District
Honokohau Harbor
Pohoiki

Maui District
Kihei

Oahu District
Heeia Kea
Keehi
Waianae

Appendix 3

**State of Hawaii
Department of Land and Natural Resources
Status of Audit Finding and Recommendation**

Recommendation	Status	Action Required
A	FWS management concurs with the recommendation, but additional information is needed as outlined in the “Action Required” column.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Finding and Recommendation section under OIG Comments. We will refer the recommendation, if not resolved and/or implemented at the end of 90 days (after March 12, 2012), to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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