



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

**U.S. FISH AND WILDLIFE SERVICE**  
**SPORT FISH RESTORATION PROGRAM GRANTS**

Awarded to the State of Alabama, Department of  
Conservation and Natural Resources, Marine Resources Division,  
From October 1, 2007, Through September 30, 2009



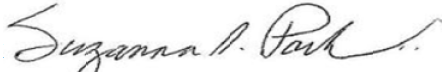
OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

August 12, 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 Sport Fish Restoration Program Grants  
Awarded to the State of Alabama, Department of Conservation and Natural Resources,  
Marine Resources Division, From October 1, 2007, Through September 30, 2009  
(No. R-GR-FWS-0010-2010)

This report presents the results of our audit of costs claimed by the State of Alabama (the State), Department of Conservation and Natural Resources (the Department), Marine Resources Division (the Division), 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 (the Program). The audit included claims totaling approximately \$1.6 million on six grants that were open during State fiscal years (SFYs) ended September 30 of 2008 and 2009 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of fishing license revenues and the reporting of program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements; however, we questioned costs totaling \$304,857 (Federal share), because the Division (1) inequitably charged shared expenses between the Program grants and other funding sources, (2) claimed payroll expenses on the grants that did not reflect the actual time worked by two employees, (3) charged payroll costs to the grants that were not supported by signed timesheets, and (4) claimed expenses on the grants that were obligated prior to the grant periods. We also found that the Division made drawdowns of Federal funds even though it had not incurred sufficient State expenditures to request reimbursement.

We provided a draft report to FWS for a response. We summarized the Department and FWS Region 4 responses, as well as our comments on the responses after the recommendations. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by November 10, 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. Crist Chensvold, 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 (the Act)<sup>1</sup> established the Sport Fish Restoration Program. Under the Program, 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 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 Division:

- 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 and wildlife program activities.
- Reported and used program income in accordance with Federal regulations.

## Scope

Audit work included claims totaling approximately \$1.6 million on the six 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 Montgomery, AL, and Division headquarters in Dauphin Island, AL, and visited six boat ramps, a mariculture center, and an artificial reef (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 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 Division.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Division employees to ensure that personnel costs charged to the grants were supportable.
- Conducting site visits to inspect equipment and other property.
- Determining whether the Division used fishing license revenues solely for administration of the Division.
- 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 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 Division's operations.

## **Prior Audit Coverage**

On September 7, 2005, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Alabama, Department of Conservation and Natural Resources, Wildlife and Freshwater Fisheries Division and Marine Resources Division, from October 1, 2002, through September 30, 2004" (No. R-GR-FWS-0002-2005). This report contained no recommendations related to the Marine Resources Division.

We also reviewed Alabama's Comprehensive Annual Financial Report and Single Audit Report for SFY 2008. Neither of these reports contained any findings that would directly impact the Program grants. In addition, we reviewed the Alabama Department of Examiners of Public Accounts' audit of the Department, issued on November 27, 2009. This audit covered the Department's compliance with various State laws from October 1, 2006, to September 30, 2008. None of the findings from this report directly related to the Marine Resources Division.

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# Results of Audit

## Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Act, regulations, and FWS guidance. We identified, however, several conditions that resulted in the findings listed below, including questioned costs totaling \$304,857. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** We questioned \$304,857 in costs claimed on six grants because the Division (1) inequitably charged shared expenses between the Program grants and other funding sources, (2) claimed payroll expenses that did not reflect the actual time worked by two employees, (3) charged payroll costs to the grants that were not supported by signed timesheets, and (4) claimed expenses that were obligated prior to the grant periods.

**Excess Drawdowns of Federal Funds.** The Division made drawdowns of Federal funds even though it had not incurred sufficient State expenditures to request reimbursement.

## Findings and Recommendations

### A. Questioned Costs — \$304,857

#### 1. Inequitably Allocated Expenses — \$221,148

The Division received funding from a variety of sources in SFYs 2008 and 2009, including license revenues, Program grants, and other Federal grants. Division officials, however, charged transactions to the Program grants that also benefitted non-Program projects, including expenses for electricity, telecommunications, vehicle maintenance, building repairs, and sanitation services. Since we could not determine the portion of those costs attributable to the Program grants, we questioned all such expenses charged to Grants F-51-21 and F-51-22, for grant coordination and administration; F-52-18 and F-52-19, for boating access programs; and F-101-15 and F-101-16, for enhancement of recreational fishing.

According to the Code of Federal Regulations (CFR), in 2 CFR § 225, Appendix A, subsections C.1.a, b, and j, allowable costs must be necessary and reasonable, be allocable to the award only if they provide a benefit to the grant, and be adequately supported.

This issue occurred because the Division did not have a methodology to equitably charge shared expenses among all the projects that benefit from those costs. As a result, we are questioning a total of \$221,148 in costs (Federal share), as indicated in the following table.

Inequitably Allocated Expenses		
Grant	Total Exceptions	Federal Share
F-51-21	\$6,349	\$4,762
F-51-22	5,733	4,300
F-52-18	34,350	25,763
F-52-19	19,121	14,341
F-101-15	111,522	83,642
F-101-16	117,787	88,340
<b>Total</b>	<b>\$294,862</b>	<b>\$221,148</b>

### Recommendations

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$221,148.
2. Ensure the Division develops a method to equitably charge shared expenses to all projects that benefit from those costs.

### Division Response

The Division did not concur with the amount of unsupported questioned costs, but provided neither a rationale for this position nor further documentation to support any of the questioned costs. Nonetheless, the Division agreed to develop a method to equitably allocate costs in its corrective action plan.

### FWS Response

FWS regional officials concurred with the finding and recommendations.

### 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 recommendations.
- 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 Division.

### 2. Unsupported Payroll Charges — \$72,597

Division employees complete personnel activity reports (similar to timesheets) showing the number of hours they work on various projects, and the Division charges payroll expenses to the Program grants based on these reports. We determined that an administrative support assistant and an accountant submitted

activity reports that did not reflect the actual time they worked on Program activities. In SFYs 2008 and 2009, the administrative support assistant used a predetermined percentage to distribute her work hours between Grants F-101-15 and F-101-16 and non-Program activities. Furthermore, the accountant charged all of his time in SFY 2009 to Grant F-51-22, even though he also performed work outside the scope of that grant.

The CFR outlines cost principles that States must follow when compensating employees for work performed under Federal awards. According to 2 CFR § 225, Appendix B, subsection 8.h(4), “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports.” In addition, 2 CFR § 225, Appendix B, subsection 8.h(5)(e), notes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

This problem arose because Division management did not adequately review the administrative support assistant’s and the accountant’s activity reports. Furthermore, the Division did not have policies and procedures in place to ensure that payroll expenses absorbed by Federal grants were based on the actual number of hours employees worked on associated activities. Since the Department was reimbursed for work unrelated to sport fish restoration, we are questioning a total of \$72,597 in unsupported costs (Federal share), as indicated in the following table.

<b>Unsupported Payroll Costs</b>		
<b>Grant</b>	<b>Total Exceptions</b>	<b>Federal Share</b>
F-51-22	\$54,224	\$40,668
F-101-15	19,763	14,822
F-101-16	22,809	17,107
<b>Total</b>	<b>\$96,796</b>	<b>\$72,597</b>

### **Recommendations**

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$72,597.
2. Require the Division to implement policies and procedures to ensure payroll expenses are supported by documentation of the actual activity of each employee.

### **Division Response**

The Division did not concur with the amount of unsupported questioned costs, but provided neither a rationale for this position nor further documentation to support any of the questioned costs. Nonetheless, the Division agreed to identify a procedure to address the second recommendation in its corrective action plan.

### **FWS Response**

FWS regional officials concurred with the finding and recommendations.

### **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 recommendations.
- 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 Division.

### **3. Unapproved Personnel Activity Reports — \$3,576**

To test payroll expenses charged to the Division's Program grants, we reviewed 13 personnel activity reports used to support the payroll of 7 employees. We found that:

- Two activity reports were not signed by an employee.
- Seven activity reports were not signed or initialed by a supervisor in the space provided or did not otherwise indicate supervisory review and approval.

The Division charged payroll expenses based on these activity reports to Grants F-52-19, F-101-15, and F-101-16.

This situation is contrary to 2 CFR § 225, Appendix B, subsection 8.h(1), which states that charges to Federal awards for salaries and wages must be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of that unit. Furthermore, 2 CFR § 225, Appendix B, subsection 8.h(5)(d), requires employees to sign their personnel activity reports.

The Division did not have policies and procedures in place requiring (1) employees to sign activity reports attesting to their accuracy or (2) supervisors to sign or initial activity reports indicating approval. Therefore, we have no assurance that the Division appropriately charged these payroll costs to the Program grants and are questioning a total of \$3,576 in unsupported costs (Federal share), as indicated in the following table.

**Payroll Costs Associated with  
Unapproved Activity Reports**

Grant	Total Exceptions	Federal Share
F-52-19	\$241	\$181
F-101-15	1,631	1,223
F-101-16	2,896	2,172
<b>Total</b>	<b>\$4,768</b>	<b>\$3,576</b>

**Recommendations**

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$3,576.
2. Ensure the Division implements policies and procedures regarding Program grants that require (1) employees to sign activity reports attesting to their accuracy and (2) supervisors to sign or initial activity reports indicating approval.

**Division Response**

The Division did not state whether it concurred with the first recommendation but agreed to identify a procedure to address the second recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendations.

**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 recommendations.
- 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 Division.

**4. Out-of-Period Costs — \$7,536**

Under its constitution, the State of Alabama is generally immune from lawsuits seeking monetary damages. The State legislature therefore established the Board of Adjustment (the Board) as the only remedy for individuals and businesses seeking payment for damages attributable to the State. In two instances, contractors brought cases against the Department before the Board because the

Division had not paid for services rendered. The Board ruled in favor of the contractors, but to pay restitution, the Division charged Program grants that were not open at the time the services were provided. Specifically:

- The Division paid a contractor \$6,750 (Federal share \$5,063) on December 19, 2008, under Grant F-52-19. The contractor had supplied the Division with 10 portable toilets at public boat launches throughout Baldwin County. This service was rendered prior to the commencement of that grant on October 1, 2008.
- The Division paid a contractor \$3,297 (Federal share \$2,473) on October 29, 2007, under Grant F-101-15. The contractor had supplied the Division with portable toilets during the renovation of its office in Dauphin Island. This service was rendered prior to the commencement of that grant on October 1, 2007.

The CFR, in 43 CFR § 12.63(a), states that a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted.

This condition arose because the Division approved payment based on the dates of the Board's judgments rather than the dates the services were obligated or originally rendered. With regard to judgments of the Board, the Division did not have policies and procedures in place to ensure that Program grants were charged only for goods and services obligated during the grant period. As a result, we are questioning costs totaling \$7,536 (Federal share), as outlined in the following table.

<b>Ineligible Out-of-Period Costs</b>		
<b>Grant</b>	<b>Total Exceptions</b>	<b>Federal Share</b>
F-52-19	\$6,750	\$5,063
F-101-15	3,297	2,473
<b>Total</b>	<b>\$10,047</b>	<b>\$7,536</b>

## Recommendations

We recommend that FWS:

1. Resolve the ineligible questioned costs totaling \$7,536.
2. Ensure the Division implements policies and procedures regarding payments ordered by the Board of Adjustment so that Program grants are charged only for goods and services obligated during the grant period.

**Division Response**

The Division did not concur with the amount of unsupported questioned costs and stated that a portion of these costs were part of ongoing activities to support eligible Program facilities. The Division agreed, however, to identify a procedure to address the second recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendations.

**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 recommendations.
- 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 Division.

**B. Excess Drawdowns of Federal Funds**

Under the Program, FWS may reimburse States up to 75 percent of grant expenditures, provided the States first expend their required matching share of costs. The Division, however, drew down the full Federal share on Grant F-51-22, even though it never incurred the requisite State share.

In 50 CFR § 80.12, Federal reimbursement under the Program grants is limited to 75 percent of eligible costs incurred in the completion of approved work. Furthermore, 31 CFR § 205.11(b) requires States to limit the transfer of Federal funds to the minimum required to meet actual and immediate cash needs.

This issue occurred because Division personnel used a spreadsheet programmed with an incorrect formula to calculate the drawdown amounts for Grant F-51-22. In addition, the Division did not have sufficient policies and procedures in place to ensure that drawdowns of Program grant funds did not exceed 75 percent of eligible costs incurred. Although the Division offset the excess drawdown prior to the end of our audit by reducing the amount drawn on an SFY 2010 Program grant, the State could receive excess reimbursements on future grants unless it pursues additional corrective action.

**Recommendation**

We recommend that FWS ensure the Division develops and implements policies and procedures to prevent excess drawdowns of Federal funds.

**Division Response**

The Division agreed to identify a procedure to address this recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendation.

**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 Division.

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# Appendix I

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Financial Summary of Review Coverage**  
**October 1, 2007, Through September 30, 2009**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)		
			Unsupported	Ineligible	Total
F-51-21	\$150,000	\$121,312	\$4,762		\$4,762
F-51-22	150,000	137,889	44,968		44,968
F-52-18	300,000	49,213	25,763		25,763
F-52-19	300,000	41,444	14,522	\$5,063	19,585
F-101-15	1,150,000	484,637	99,687	2,473	102,160
F-101-16	1,150,000	795,108	107,619		107,619
<b>Total</b>	<b>\$3,200,000</b>	<b>\$1,629,603</b>	<b>\$297,321</b>	<b>\$7,536</b>	<b>\$304,857</b>

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# Appendix 2

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Sites Visited**

**Headquarters**

Department of Conservation and Natural Resources, Montgomery  
Marine Resources Division, Dauphin Island

**Boat Ramps**

Billy Goat Hole  
Boggy Point  
Fort Morgan  
Little Billy Goat Hole  
May Day Park  
The Pines

**Other**

Claude Peteet Mariculture Center  
Unnamed Artificial Reef (30.082N, 87.3205W)

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## Appendix 3

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1.1, A.1.2, A.2.1, A.2.2, A.3.1, A.3.2, A.4.1, A.4.2, and B	FWS management concurs with the recommendations, 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 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 10, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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. Crist Chensvold, 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 (the Act)<sup>1</sup> established the Sport Fish Restoration Program. Under the Program, 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 and game agency. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

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Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Division.
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# Results of Audit

## Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Act, regulations, and FWS guidance. We identified, however, several conditions that resulted in the findings listed below, including questioned costs totaling \$304,857. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** We questioned \$304,857 in costs claimed on six grants because the Division (1) inequitably charged shared expenses between the Program grants and other funding sources, (2) claimed payroll expenses that did not reflect the actual time worked by two employees, (3) charged payroll costs to the grants that were not supported by signed timesheets, and (4) claimed expenses that were obligated prior to the grant periods.

**Excess Drawdowns of Federal Funds.** The Division made drawdowns of Federal funds even though it had not incurred sufficient State expenditures to request reimbursement.

## Findings and Recommendations

### A. Questioned Costs — \$304,857

#### 1. Inequitably Allocated Expenses — \$221,148

The Division received funding from a variety of sources in SFYs 2008 and 2009, including license revenues, Program grants, and other Federal grants. Division officials, however, charged transactions to the Program grants that also benefitted non-Program projects, including expenses for electricity, telecommunications, vehicle maintenance, building repairs, and sanitation services. Since we could not determine the portion of those costs attributable to the Program grants, we questioned all such expenses charged to Grants F-51-21 and F-51-22, for grant coordination and administration; F-52-18 and F-52-19, for boating access programs; and F-101-15 and F-101-16, for enhancement of recreational fishing.

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### Recommendations

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$221,148.
2. Ensure the Division develops a method to equitably charge shared expenses to all projects that benefit from those costs.

### Division Response

The Division did not concur with the amount of unsupported questioned costs, but provided neither a rationale for this position nor further documentation to support any of the questioned costs. Nonetheless, the Division agreed to develop a method to equitably allocate costs in its corrective action plan.

### FWS Response

FWS regional officials concurred with the finding and recommendations.

### OIG Comments

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

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- Targeted completion date.
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Division employees complete personnel activity reports (similar to timesheets) showing the number of hours they work on various projects, and the Division charges payroll expenses to the Program grants based on these reports. We determined that an administrative support assistant and an accountant submitted

activity reports that did not reflect the actual time they worked on Program activities. In SFYs 2008 and 2009, the administrative support assistant used a predetermined percentage to distribute her work hours between Grants F-101-15 and F-101-16 and non-Program activities. Furthermore, the accountant charged all of his time in SFY 2009 to Grant F-51-22, even though he also performed work outside the scope of that grant.

The CFR outlines cost principles that States must follow when compensating employees for work performed under Federal awards. According to 2 CFR § 225, Appendix B, subsection 8.h(4), “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports.” In addition, 2 CFR § 225, Appendix B, subsection 8.h(5)(e), notes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

This problem arose because Division management did not adequately review the administrative support assistant’s and the accountant’s activity reports. Furthermore, the Division did not have policies and procedures in place to ensure that payroll expenses absorbed by Federal grants were based on the actual number of hours employees worked on associated activities. Since the Department was reimbursed for work unrelated to sport fish restoration, we are questioning a total of \$72,597 in unsupported costs (Federal share), as indicated in the following table.

<b>Unsupported Payroll Costs</b>		
<b>Grant</b>	<b>Total Exceptions</b>	<b>Federal Share</b>
F-51-22	\$54,224	\$40,668
F-101-15	19,763	14,822
F-101-16	22,809	17,107
<b>Total</b>	<b>\$96,796</b>	<b>\$72,597</b>

### Recommendations

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$72,597.
2. Require the Division to implement policies and procedures to ensure payroll expenses are supported by documentation of the actual activity of each employee.

### **Division Response**

The Division did not concur with the amount of unsupported questioned costs, but provided neither a rationale for this position nor further documentation to support any of the questioned costs. Nonetheless, the Division agreed to identify a procedure to address the second recommendation in its corrective action plan.

### **FWS Response**

FWS regional officials concurred with the finding and recommendations.

### **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 recommendations.
- 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 Division.

### **3. Unapproved Personnel Activity Reports — \$3,576**

To test payroll expenses charged to the Division's Program grants, we reviewed 13 personnel activity reports used to support the payroll of 7 employees. We found that:

- Two activity reports were not signed by an employee.
- Seven activity reports were not signed or initialed by a supervisor in the space provided or did not otherwise indicate supervisory review and approval.

The Division charged payroll expenses based on these activity reports to Grants F-52-19, F-101-15, and F-101-16.

This situation is contrary to 2 CFR § 225, Appendix B, subsection 8.h(1), which states that charges to Federal awards for salaries and wages must be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of that unit. Furthermore, 2 CFR § 225, Appendix B, subsection 8.h(5)(d), requires employees to sign their personnel activity reports.

The Division did not have policies and procedures in place requiring (1) employees to sign activity reports attesting to their accuracy or (2) supervisors to sign or initial activity reports indicating approval. Therefore, we have no assurance that the Division appropriately charged these payroll costs to the Program grants and are questioning a total of \$3,576 in unsupported costs (Federal share), as indicated in the following table.

**Payroll Costs Associated with  
Unapproved Activity Reports**

<b>Grant</b>	<b>Total Exceptions</b>	<b>Federal Share</b>
F-52-19	\$241	\$181
F-101-15	1,631	1,223
F-101-16	2,896	2,172
<b>Total</b>	<b>\$4,768</b>	<b>\$3,576</b>

**Recommendations**

We recommend that FWS:

1. Resolve the unsupported questioned costs totaling \$3,576.
2. Ensure the Division implements policies and procedures regarding Program grants that require (1) employees to sign activity reports attesting to their accuracy and (2) supervisors to sign or initial activity reports indicating approval.

**Division Response**

The Division did not state whether it concurred with the first recommendation but agreed to identify a procedure to address the second recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendations.

**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 recommendations.
- 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 Division.

**4. Out-of-Period Costs — \$7,536**

Under its constitution, the State of Alabama is generally immune from lawsuits seeking monetary damages. The State legislature therefore established the Board of Adjustment (the Board) as the only remedy for individuals and businesses seeking payment for damages attributable to the State. In two instances, contractors brought cases against the Department before the Board because the

Division had not paid for services rendered. The Board ruled in favor of the contractors, but to pay restitution, the Division charged Program grants that were not open at the time the services were provided. Specifically:

- The Division paid a contractor \$6,750 (Federal share \$5,063) on December 19, 2008, under Grant F-52-19. The contractor had supplied the Division with 10 portable toilets at public boat launches throughout Baldwin County. This service was rendered prior to the commencement of that grant on October 1, 2008.
- The Division paid a contractor \$3,297 (Federal share \$2,473) on October 29, 2007, under Grant F-101-15. The contractor had supplied the Division with portable toilets during the renovation of its office in Dauphin Island. This service was rendered prior to the commencement of that grant on October 1, 2007.

The CFR, in 43 CFR § 12.63(a), states that a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted.

This condition arose because the Division approved payment based on the dates of the Board's judgments rather than the dates the services were obligated or originally rendered. With regard to judgments of the Board, the Division did not have policies and procedures in place to ensure that Program grants were charged only for goods and services obligated during the grant period. As a result, we are questioning costs totaling \$7,536 (Federal share), as outlined in the following table.

<b>Ineligible Out-of-Period Costs</b>		
<b>Grant</b>	<b>Total Exceptions</b>	<b>Federal Share</b>
F-52-19	\$6,750	\$5,063
F-101-15	3,297	2,473
<b>Total</b>	<b>\$10,047</b>	<b>\$7,536</b>

## Recommendations

We recommend that FWS:

1. Resolve the ineligible questioned costs totaling \$7,536.
2. Ensure the Division implements policies and procedures regarding payments ordered by the Board of Adjustment so that Program grants are charged only for goods and services obligated during the grant period.

**Division Response**

The Division did not concur with the amount of unsupported questioned costs and stated that a portion of these costs were part of ongoing activities to support eligible Program facilities. The Division agreed, however, to identify a procedure to address the second recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendations.

**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 recommendations.
- 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 Division.

**B. Excess Drawdowns of Federal Funds**

Under the Program, FWS may reimburse States up to 75 percent of grant expenditures, provided the States first expend their required matching share of costs. The Division, however, drew down the full Federal share on Grant F-51-22, even though it never incurred the requisite State share.

In 50 CFR § 80.12, Federal reimbursement under the Program grants is limited to 75 percent of eligible costs incurred in the completion of approved work. Furthermore, 31 CFR § 205.11(b) requires States to limit the transfer of Federal funds to the minimum required to meet actual and immediate cash needs.

This issue occurred because Division personnel used a spreadsheet programmed with an incorrect formula to calculate the drawdown amounts for Grant F-51-22. In addition, the Division did not have sufficient policies and procedures in place to ensure that drawdowns of Program grant funds did not exceed 75 percent of eligible costs incurred. Although the Division offset the excess drawdown prior to the end of our audit by reducing the amount drawn on an SFY 2010 Program grant, the State could receive excess reimbursements on future grants unless it pursues additional corrective action.

**Recommendation**

We recommend that FWS ensure the Division develops and implements policies and procedures to prevent excess drawdowns of Federal funds.

**Division Response**

The Division agreed to identify a procedure to address this recommendation in its corrective action plan.

**FWS Response**

FWS regional officials concurred with the finding and recommendation.

**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 Division.

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# Appendix I

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Financial Summary of Review Coverage**  
**October 1, 2007, Through September 30, 2009**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)		
			Unsupported	Ineligible	Total
F-51-21	\$150,000	\$121,312	\$4,762		\$4,762
F-51-22	150,000	137,889	44,968		44,968
F-52-18	300,000	49,213	25,763		25,763
F-52-19	300,000	41,444	14,522	\$5,063	19,585
F-101-15	1,150,000	484,637	99,687	2,473	102,160
F-101-16	1,150,000	795,108	107,619		107,619
<b>Total</b>	<b>\$3,200,000</b>	<b>\$1,629,603</b>	<b>\$297,321</b>	<b>\$7,536</b>	<b>\$304,857</b>

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# Appendix 2

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Sites Visited**

**Headquarters**

Department of Conservation and Natural Resources, Montgomery  
Marine Resources Division, Dauphin Island

**Boat Ramps**

Billy Goat Hole  
Boggy Point  
Fort Morgan  
Little Billy Goat Hole  
May Day Park  
The Pines

**Other**

Claude Peteet Mariculture Center  
Unnamed Artificial Reef (30.082N, 87.3205W)

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## Appendix 3

**State of Alabama**  
**Department of Conservation and Natural Resources**  
**Marine Resources Division**  
**Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1.1, A.1.2, A.2.1, A.2.2, A.3.1, A.3.2, A.4.1, A.4.2, and B	FWS management concurs with the recommendations, 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 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 10, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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