



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 Maine Department of Marine Resources,  
from July 1, 2008, Through June 30, 2010



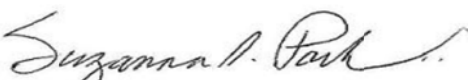
OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

December 22, 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 Maine Department of Marine Resources, from July 1, 2008, Through June 30, 2010 (No. R-GR-FWS-0010-2011)

This report presents the results of our audit of costs claimed by the State of Maine (the State), Department of Marine Resources (the Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$3.4 million on 15 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. We questioned costs totaling \$21,147, however, because the Department claimed reimbursement for (1) an employee's retroactive payroll costs for services performed prior to the grant period; and (2) expenses for activities which did not benefit the Program grants. We also determined that the Department did not adequately document in-kind contributions and did not have adequate assent legislation.

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 comment 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 March 21, 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, Debra Darby, or me at 703-487-5345.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

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# Introduction

## Background

The Dingell-Johnson Sport Fish Restoration Act (Act)<sup>1</sup> established the Sport Fish Restoration Program. 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 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 Act and related regulations, FWS guidelines, and the grant agreements.
- Used State fishing license revenues solely for fish program activities.
- Reported and used program income in accordance with Federal regulations.

## Scope

Audit work included claims totaling approximately \$3.4 million on the 15 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 Department headquarters in Hallowell, ME, and visited its Boothbay Harbor facility (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

## Methodology

We conducted our performance audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

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

- 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.
- 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 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 April 12, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Maine, Department of Marine Resources, From January 1, 2004, Through December 31, 2005" (No. R-GR-FWS-0015-2005). 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 them to be resolved and implemented.

We also reviewed Maine's Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2009 and 2010. Neither 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 Act, regulations, and FWS guidance. We identified several conditions that resulted in the findings listed below, including questioned costs totaling \$21,147. We discuss the findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** We questioned costs totaling \$21,147 because the Department charged program grants for (1) an employee's retroactive payroll costs for services rendered prior to the grant period, and (2) activities that did not benefit the Program grants.

**Unsupported In-Kind Volunteer Contributions.** The Department claimed the value of volunteer hours as its matching share of costs, but was unable to provide adequate supporting documentation.

**Inadequate Assent Legislation.** The Department did not assent to the provisions in the Dingell-Johnson Sport Fish Restoration Act.

## Findings and Recommendations

### A. Questioned Costs - \$21,147

#### 1. Out-of-Period Payroll Costs - \$15,630

Employees of the State of Maine may apply for a position classification upgrade if they believe they are underpaid. The Department's Aquatic Education Director filed a claim to reclassify her position for additional pay. The Department approved the claim and charged retroactive payroll expenses (salary plus benefits) for the period covering July 2005 through May 2008 to grant F-29-E-22. The grant period was January 1, 2008, through December 31, 2008. We are questioning the portion of the payroll expenses of \$15,630 (Federal share) for services rendered prior to January 1, 2008.

The Code of Federal Regulations (2 CFR § 225, Appendix A, subsection C.1.a), states that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Additionally, it specifies that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards (2 CFR § 225, Appendix B, subsection 8).

Finally, 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. Furthermore, 43 CFR § 12.43 defines obligations as services received during a period that will be paid during the same or future period.

This issue occurred because the Department claimed the expense based on the date of the Retroactive Personnel Record Adjustment Worksheet and Payroll Authorization rather than the dates the services were rendered. The Department did not have policies and procedures in place to ensure that Program grants are charged only for goods and services benefitting the grant during the grant period.

We questioned the Federal share of \$15,630 for the portion of the payment that did not benefit the Program grant because it was for services rendered outside the grant period.

| <b>Recommendations</b>  |
|---|
| <p>We recommend that FWS:</p> <ol style="list-style-type: none"><li>1. Resolve the questioned costs totaling \$15,630.</li><li>2. Require the Department to implement policies and procedures that meet the criteria of 2 CFR § 225, Appendix A, subsection C.1.a; Appendix B, subsection 8; and 43 CFR § 12.63(a).</li></ol> |



**Department Response**

Department officials concurred with the finding and will address the recommendations in the 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 dates.
- 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.



## **2. Ineligible Other Direct Costs - \$5,517**

During summer seasons, the Department hires temporary staff through an agency to operate and maintain an aquarium for the public in Boothbay Harbor. The Department pays the agency based on invoices listing employee name, hourly rate, and number of hours worked. The Department charged costs for receptionists, who ring up admission fees and merchandise sales on the cash register, and carpenter services, which are not grant-related activities, to aquatic education grants F-29-E-23 and F-29-E-24.

Title 2 CFR § 225, Appendix A, subsections C.1.a and C.1.b, states that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be allocable to Federal awards.

Additionally, 50 CFR § 80.15(d) requires projects or facilities designed to include purposes other than those eligible under the Dingell-Johnson Sport Fish Restoration Act to provide for the allocation of costs among the various purposes.

Finally, 2 CFR § 225, Appendix A, subsection C.3.a, states that to be allowable under Federal awards, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received.

The Department did not allocate invoices for aquarium expenses between ineligible activities and grant-related activities. In addition, the Department did not have policies and procedures in place to ensure that Program grants are charged only for goods and services benefitting the Program grant.

Because the expenses were not necessary and reasonable for the performance and administration of the grants (F-29-E-23 and F-29-E-24), we questioned costs totaling \$5,517 (Federal share) for activities related to admissions, sales, and carpenter services that were not allocated.

| <b>Recommendations</b>  |
|---|
| <p>We recommend that FWS:</p> <ol style="list-style-type: none"><li>1. Resolve the questioned costs totaling \$5,517.</li><li>2. Require the Department to implement policies and procedures that meet the criteria of 2 CFR § 225, Appendix A, subsections C.1.a, C.1.b, and C.3.a, and 50 CFR § 80.15(d).</li></ol> |

**Department Response**

Department officials concurred with the finding and will address the recommendations in the 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 dates.
- 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.

**B. Unsupported In-kind Contributions**

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. The State’s matching share of costs on three Program grants was partially composed of noncash contributions, consisting of the value of hours donated by volunteers.

Federal regulations require States to support the value of the labor used as State matching funds in the same manner as their regular personnel costs. In-kind contributions claimed on grant F-29-E-23 consisted of volunteer work at both the Burnt Island Lighthouse and the Aquarium. The timekeeping records for the aquarium were maintained on a separate log for each volunteer reflecting individual dates and hours worked, similar to the methodology used for the Department's employee timesheets. The Burnt Island Lighthouse volunteers’ timekeeping records, however, were kept on a continuous log for all volunteers during the grant period. We found many of the hours claimed under grant F-29-E-23 for the Burnt Island Lighthouse volunteers were not adequately supported. On the log provided for the Burnt Island volunteers, consisting of 16 continuous pages of entries, we found the following:

- Five of the 16 pages had no supervisory approval.
- Nine of 16 pages contained at least one of the following: Cumulative days and/or cumulative hours, instead of daily entries.
- Eleven of 16 pages listed activities performed (tour guides, actors, lighthouse keepers, and store sales people) which did not benefit the grant.

The CFR outlines documentation requirements for in-kind contributions. According to basic guidelines on cost principles outlined in 2 CFR § 225,

Appendix A, subsection C.1.j, for a cost to be allowable under Federal awards, the cost must be adequately documented. In addition, 43 CFR § 12.64(b)(6) states that third party in-kind contributions counting towards satisfying a cost-sharing or matching requirement must be verifiable from the records of grantees and subgrantees. It further states that, to the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocation of regular personnel costs.

According to Chapter 25.15.20(b) of the Maine State Administrative & Accounting Manual (SAAM), each employee must complete, sign, and submit a biweekly timesheet, signed by a supervisor.

Furthermore, in the Aquatic Resources Education five-year plan submitted to the FWS for grant F-29-E, Project Period January 1, 2007, through December 31, 2011, the Department states that "volunteer time will be recorded manually each workday and used as in-kind match for this grant."

This issue arose because the Department did not have policies and procedures in place to ensure compliance with Federal regulations. Additionally, it did not ensure that employees responsible for recording and reporting the value of in-kind contributions were fully aware of applicable Federal requirements.

Because the Department could not support the full value of the in-kind contributions from the Burnt Island Lighthouse volunteer hours claimed on grant F-29-E-23, we determined that the Department overstated its share of matching costs reported on the Federal Financial Report by \$66,475. Because of the State's overmatch, however, there are no questioned costs.

| <b>Recommendation</b>  |
|--|
| We recommend that FWS ensure the Department develops and implements policies and procedures regarding time keeping documentation to comply with Federal regulations. |

**Department Response**

Department officials concurred with the finding and will address the recommendation in the 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 dates.
- 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.

### **C. Inadequate Assent Legislation**

The State has not enacted legislation that the Department of Marine Resources assents to the Dingell-Johnson Sport Fish Restoration Act. During the grant period open between July 1, 2008, through June 30, 2010, the Department received approximately \$2.3 million in sport fish restoration grant funds without having the required assent legislation in place.

Title 50 CFR § 80.3 requires States to pass legislation assenting to the provisions in the Dingell-Johnson Sport Fish Restoration Act before the State can participate in the Federal Assistance Program.

State officials were unaware that legislation specifically assenting to provisions of the Dingell-Johnson Sport Fish Restoration Act was required for the Department of Marine Resources. As a result of not passing adequate assent legislation, the Department could be ineligible to participate in the grant program, which could result in a loss of an estimated \$2.3 million in grant funding.

| <b>Recommendation</b>  |
|--|
| We recommend that FWS require the Department to work with the State Legislature to pass legislation assenting to the provisions of the Dingell-Johnson Sport Fish Restoration Act. |

### **Department Response**

Department officials concurred with the finding and enacted the required assent legislation.

### **FWS Response**

Based on the Department's response, FWS Regional officials consider the recommendation resolved and implemented.

### **OIG Comments**

Based on FWS' response, we consider the recommendation resolved and implemented. No further action is necessary.

# Appendix I

State of Maine  
Department of Marine Resources  
Financial Summary of Review Coverage  
July 1, 2008, Through June 30, 2010

| Grant Number | Grant Amount       | Claimed Costs      | Questioned Costs |
|--------------|--------------------|--------------------|------------------|
| F-29-E-22    | \$331,625          | \$367,901          | \$15,630         |
| F-29-E-23    | 413,125            | 446,042            | 3,509            |
| F-29-E-24    | 413,000            | 191,098            | 2,008            |
| F-40-T-15    | 128,625            | 125,678            |                  |
| F-40-T-16    | 179,625            | 99,626             |                  |
| F-40-T-17    | 130,750            | 26,733             |                  |
| F-41-R-15    | 261,535            | 251,192            |                  |
| F-41-R-16    | 268,000            | 256,403            |                  |
| F-41-R-17    | 267,750            | 154,797            |                  |
| F-42-R-11    | 262,500            | 239,763            |                  |
| F-42-R-12    | 264,000            | 255,380            |                  |
| F-42-R-13    | 260,125            | 158,353            |                  |
| F-43-R-09    | 325,750            | 319,308            |                  |
| F-43-R-10    | 323,625            | 320,568            |                  |
| F-43-R-11    | 329,875            | 195,594            |                  |
| <b>TOTAL</b> | <b>\$4,159,910</b> | <b>\$3,408,436</b> | <b>\$21,147</b>  |

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## Appendix 2

State of Maine  
Department of Marine Resources  
Sites Visited

Headquarters  
Hallowell

Bureau of Resource Management - West Boothbay Harbor  
Burnt Island Lighthouse  
Maine State Aquarium  
Management Office and Laboratory

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## Appendix 3

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

| Recommendations                   | Status   | Action Required   |
|-----------------------------------|--|---|
| A.1.1, A.1.2, A.2.1, A.2.2, and B | FWS management concurs with the recommendations, but additional information is needed, as outlined in the “Actions required” column. | Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Finding and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after March 21, 2012) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation. |
| C                                 | FWS management considers the recommendation resolved and implemented.  | No further action is necessary.   |

# **Report Fraud, Waste, and Mismanagement**



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