



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 Wisconsin, Department of Natural Resources,
From July 1, 2007, Through June 30, 2009



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

November 22, 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 Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Wisconsin, Department of Natural Resources, From July 1, 2007, Through June 30, 2009 (No. R-GR-FWS-0011-2010)

This report presents the results of our audit of costs claimed by the State of Wisconsin (the State), Department of 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 \$86.9 million on 14 grants that were open during State fiscal years (SFYs) ended June 30 of 2008 and 2009 (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; however, we questioned costs totaling \$96,534 because the Department charged operation and maintenance costs related to an ineligible activity to two Program grants. We also found that the Department did not reconcile its real property inventory with data maintained by FWS.

We provided a draft report to FWS for response. We summarized the FWS Region 3 response, as well as our comments on the response 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 February 21, 2011. 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, Ms. Lori Howard, or me at 703-487-5345.

cc: Regional Director, Region 3, U.S. Fish and Wildlife Service

Table of Contents

Introduction..... 1

 Background 1

 Objectives..... 1

 Scope 1

 Methodology 1

 Prior Audit Coverage 2

Results of Audit 3

 Audit Summary 3

 Findings and Recommendations 3

Appendix 1..... 6

Appendix 2..... 7

Appendix 3..... 8

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (the 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 \$86.9 million on the 14 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 the Department Central Office in Madison, WI, and visited four service centers, five other Department offices, six wildlife areas, four fish hatcheries, one boat access area, and six fishing pier construction sites (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

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

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 game 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 September 20, 2006, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Administered by the State of Wisconsin, Department of Natural Resources, from July 1, 2002, through June 30, 2004" (No. R-GR-FWS-0024-2004). 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 Wisconsin's Comprehensive Annual Financial Report and Single Audit Reports for SFYs 2008 and 2009. None of these reports contained any findings that would directly impact the Program grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified conditions, however, that resulted in the findings listed below, including questioned costs totaling \$96,534. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned costs of \$96,534 because the Department charged operations and maintenance costs related to an ineligible activity to two Program grants.

Unreconciled Real Property Records. The Department did not reconcile its real property inventory with data maintained by FWS. As a result, land records are not adequate to ensure that lands acquired with grant funds are used only for their originally intended purposes.

Findings and Recommendations

A. Questioned Costs - \$96,534

The Department operates a State Game Farm (the Farm), which stocks pheasants on wildlife areas for hunting purposes. The Department funds this activity through Pheasant Stamp revenues because stocking game animals only for hunting is not an eligible activity under the Program grants. Nevertheless, we found that the Department charged the Farm's operations and maintenance costs to two Program grants.

According to the FWS Service Manual (521 FW 1.8.F), Program funds may not be used to stock game animals for the purpose of hunting in the absence of objectives for restoration or establishing self-sustaining populations.

This situation occurred because the Department did not have a separate activity code for the operation and maintenance of the Farm. As a result, we are questioning a total of \$96,534 (Federal share) in costs charged to Grants W-160-P-17 (\$44,984) and W-16-P-18 (\$51,550).

Recommendations

We recommend that FWS:

1. Resolve the ineligible questioned costs of \$96,534.
2. Work with the Department to establish an activity code for charging operation and maintenance costs to the Farm and ensure that Program grants are not charged for its operation and maintenance costs.

Department Response

Department officials proposed actions to resolve the questioned costs and established a new activity code to separate operations and maintenance costs.

FWS Response

FWS regional officials concurred with the recommendations and the Department's proposals to implement the recommendations will be considered in the corrective action plan.

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 Department.

B. Unreconciled Real Property Records

The Department and FWS each maintain records on land purchased with Program grant funds; however, these two sets of records show significant differences. The Department's land inventory identified approximately 189,874 acres with an acquisition cost of \$93.2 million. Conversely, FWS land records show approximately 416,657 acres costing about \$88.1 million.

According to the Code of Federal Regulations (CFR), in 50 CFR § 80.18, and 522 FW 1.15, each State is required to maintain accountability and control of all assets to assure that they are used for the purpose for which acquired throughout their useful life. The FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. This letter requested each State to maintain a real property management system that includes a comprehensive inventory of lands and to ensure that its inventory is accurate and complete.

Department and FWS officials acknowledged that they had not reconciled the respective land inventories to determine their accuracy and completeness. As a result, land records are not adequate to ensure that lands acquired with grant funds are used only for their originally intended purposes.

Recommendation

We recommend that FWS ensure the Department reconciles its real property records with FWS' records.

Department Response

Department officials have discussed the steps and time line for the reconciliation with FWS.

FWS Response

FWS regional officials concurred with the recommendation and the Department's proposals to implement the recommendation will be considered in the corrective action plan.

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 Department.

Appendix I

State of Wisconsin
Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
F-84-L-72	\$1,932,803	\$2,065,678	
F-84-L-73	2,059,599	531,686	
F-95-P-29	12,082,132	16,801,756	
F-95-P-30	151,200	24,391	
F-95-P-31	2,313,635	632,154	
F-95-P-32	17,501,662	18,146,140	
F-95-P-33	17,703,595	13,046,952	
F-95-P-34	141,886	0	
F-95-P-35	2,057,383	75,000	
W-142-L-88	215,940	296,009	
W-142-L-89	294,093	240,348	
W-142-L-90	303,783	255,786	
W-160-P17	13,056,468	16,606,664	\$44,984
W-160-P18	14,048,035	18,217,217	51,550
Total	\$83,862,214	\$86,939,781	\$96,534

Appendix 2

**State of Wisconsin
Department of Natural Resources
Sites Visited**

Central Office
Madison

Service Centers
Antigo
La Crosse
Oshkosh
Wautoma

Other Department Offices
Buffalo Field Station, Alma
Lake Michigan Work Unit, Milwaukee
Northern Region Headquarters, Spooner
State Game Farm, Poynette
Wausaukee Ranger Station, Wausaukee

Wildlife Areas
Crex Meadows
George W. Mead
Horicon Marsh
Meadow Valley
Sandhill
Tiffany

State Fish Hatcheries
Governor Tommy G. Thompson
Osceola
St. Croix Falls
Wild Rose

Boat Access Site
Trempealeau Landing

Fishing Pier Construction Sites
Lake Kegonsa
Lake Wissota State Park
Mill Pond
Pettibone Lagoon
Salmo Pond
Shell Lake

Appendix 3

**State of Wisconsin
Department of Natural Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, and B	FWS management concurs 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 February 21, 2011) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

Report Fraud, Waste, and Mismanagement



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



By Mail:

U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW
Washington, D.C. 20240

By Phone:

24-Hour Toll Free
Washington Metro Area

800-424-5081
703-487-5435

By Fax:

703-487-5402

By Internet:

www.doioig.gov