



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 Iowa, Department of Natural Resources,
From July 1, 2009, Through June 30, 2011



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

November 28, 2012

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park *Suzanna I. Park*
Director of External Audits

Subject: Audit – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration
Program Grants Awarded to the State of Iowa, Department of Natural
Resources, From July 1, 2009, Through June 30, 2011
Report No. R-GR-FWS-0011-2012

This report presents the results of our audit of costs claimed by the State of Iowa (State), Department of Natural Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$43 million on 23 grants that were open during State fiscal years that ended June 30, 2010, and June 30, 2011 (see appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We found, however, that the Department overstated its 2008 and 2009 license certifications by including veteran lifetime licenses that did not earn net revenue. The Department had also not reconciled its real property records with FWS land records.

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

Please respond in writing to the findings and recommendations included in this report by February 26, 2013. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation. Please address your response to:

Director of External Audits
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

If you have any questions regarding this report, please contact the audit team leader, Mr. W. S. Streifel, or me at 703-487-5345.

cc: Regional Director, Region 3, 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 (Program). Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the State's fish and game agency. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Iowa (State), Department of Natural Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$43 million on the 23 grants open during State fiscal years (SFYs) that ended June 30, 2010, and June 30, 2011 (see appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the central office in Des Moines, IA, and visited 1 hatchery, 2 field locations, and 10 Wildlife Management Areas (see appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

Methodology

We conducted our performance audit in accordance with the “Government Auditing Standards” issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, 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; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

Prior Audit Coverage

On January 25, 2008, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Iowa, Department of Natural Resources, From July 1, 2004, Through June 30, 2006" (No. R-GR-FWS-0012-2007). 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 the recommendations resolved and implemented.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. None 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. We identified, however, two conditions that resulted in the findings listed below.

Overstated License Certifications. The Department overstated its 2008 and 2009 license certifications by including veteran lifetime licenses that did not earn net revenue.

Unreconciled Real Property Records. The Department has not reconciled its real property records with FWS.

Findings and Recommendations

A. Overstated License Certifications

To determine the amount of Program funds apportioned annually to each State, a certified count of hunting and fishing license sales must be provided to FWS. The Department overstated its 2008 and 2009 license certifications by including veteran lifetime licenses that did not earn net revenue. In its 2008 license certification, the Department included 1,991 veteran lifetime hunting and 2,036 veteran lifetime fishing licenses that did not earn net revenue. In addition, in its 2009 license certification, the Department included 2,300 veteran lifetime fishing licenses that did not earn net revenue.

The Code of Federal Regulations (50 CFR § 80.10(b)(2)) prohibits licenses that do not return net revenue for the State from being included in the annual certification to FWS. Net revenue is any amount returned to the State after deducting agent or seller fees and the cost of printing, distribution, control, or other costs directly associated with the issuance of each license. As of August 31, 2011, 50 CFR § 80.10(b)(2) was revised to 50 CFR § 80.35(b), stating:

(b)The agency must receive net revenue from a multiyear license that is in close approximation to the net revenue received for a single-year license providing similar privileges:

- (1) Each year during the license period; or
- (2) At the time of sale as if it were a single-payment annuity, which is an investment of the license fee that results in the agency receiving at least the minimum required net revenue for each year of the license period.

The Department did not comply with either Federal regulations or its written policy and procedures regarding counting only the lifetime license holders that earn net revenue. By certifying veteran lifetime hunting and fishing license holders that did not earn net revenue, the Department may have been apportioned more than its allocated share of Program grant funds.

Recommendations

We recommend that FWS require the Department to:

1. Determine whether overstated licenses resulted in excess apportionment; and
2. Develop and implement written procedures to ensure only veteran lifetime hunting and fishing licenses, which comply with 50 CFR § 80.35(b) are included in the annual certification.

Department Response

Department officials concurred with the finding and recommendations.

FWS Response

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

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- specific action(s) taken or planned to address the recommendations;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

B. Unreconciled Real Property Records

The Department must ensure that its database of real property acquired with Program funds is accurate and reconciles with land records maintained by FWS. FWS and the Department agreed that a reconciliation has not been performed. The Department's land inventory identified approximately 67,354 acres purchased for approximately \$17.8 million with Program funds. Conversely, FWS land records identified approximately 78,507 acres purchased for approximately \$22.9 million with Program funds.

Federal regulations (50 CFR § 80.18(c)) requires each State to maintain accountability and control of all assets acquired under the Program. In addition, the FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. The letter requested that each State maintain a real property management system that includes a comprehensive inventory of lands and ensure that its inventory is accurate and complete.

Department officials were not aware of the Director's letter regarding the reconciliation. As a result, the Department's land records are not adequate to ensure that land acquired with Program funds are being used for their intended purposes.

Recommendation

We recommend that FWS work with the Department to reconcile its land records.

Department Response

Department officials concurred with the finding and recommendation.

FWS Response

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

OIG Comments

Based on the Department and FWS responses, additional information is needed in the corrective action plan including—

- specific action(s) taken or planned to address the recommendation;
- targeted completion dates;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

Appendix I

State of Iowa
Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2009, Through June 30, 2011

Grant Number	Grant Amount	Claimed Costs
F-47-L-1	\$500,000	
F-118-D-19	690,225	\$450,564
F-125-E-22	605,431	691,281
F-125-E-23	768,561	808,763
F-160-R-14	1,200,000	1,228,765
F-160-R-15	1,264,500	1,252,181
F-176-D-6	3,409,087	3,183,260
F-176-D-7	3,283,000	3,215,654
F-177-D-1	6,400,000	2,459,956
F-186-D-1	50,000	29,571
F-187-D-1	114,500	110,556
F-191-D-2	4,530,582	1,939,153
F-191-D-3	4,674,554	1,565,079
F-192-D-1	50,000	
FW-43-D-42	9,085,440	9,306,832
FW-43-D-43	9,893,232	10,227,785
FW-47-L-10	528,000	461,215
FW-47-L-12	750,000	428,650
W-47-L-1	4,150,000	1,544,965
W-114-S-41	1,281,865	1,346,224
W-114-S-42	1,447,540	1,363,959
W-115-R-36	651,050	695,087
W-115-R-37	656,050	750,552
Total	\$55,983,617	\$43,060,052

Appendix 2

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

Headquarters
Des Moines, IA

Hatchery
Rathbun Hatchery

Divisions and Field Locations
Boone Wildlife Research Station
Chariton Fish Research Station - Red Hawk State Park

Wildlife Management Areas

Colyn
DeKalb
Goshen
Paul Errington Marsh
Rathbun
Sand Creek
Saylorville
Sedan Bottoms
Snake Creek
Tubaugh

Appendix 3

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

Recommendations	Status	Action Required
A.1, A.2, and B	FWS management concurred with the recommendations, but additional information is needed.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after February 26, 2013) 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.



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By Phone: 24-Hour Toll Free: 800-424-5081
Washington Metro Area: 202-208-5300

By Fax: 703-487-5402

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