



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 COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF FISH AND WILDLIFE RESOURCES,
FROM JULY 1, 2007, THROUGH JUNE 30, 2009



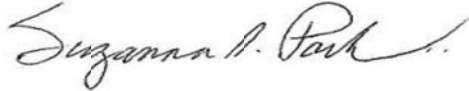
OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

November 29, 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 Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2007, Through June 30, 2009 (No. R-GR-FWS-00012-2010)

This report presents the results of our audit of costs claimed by the Commonwealth of Kentucky (the Commonwealth), Department of Fish and Wildlife Resources (the Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$41.6 million on 41 grants that were open during Commonwealth fiscal years (CFYs) 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, the Department did not track compensatory hours earned by activity, which could result in ineligible charges to the Program grants.

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

Please respond in writing to the finding and recommendation included in this report by February 28, 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, Mr. Chris Krasowski, or me at 703-487-5345.

cc: Regional Director, Region 4, 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

 Finding and Recommendation 3

Appendix 1..... 5

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 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 \$41.6 million on the 41 grants that were open during CFYs 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 Frankfort, KY, and visited four wildlife management areas, three fishing and boating access sites, and one fish hatchery (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,

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

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:

- 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 the Department.
- Determining whether the Commonwealth 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 22, 2006, we issued "Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2002, Through June 30, 2004" (No. R-GR-FWS-0013-2005). We followed up on all four recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considered three recommendations closed and one recommendation resolved but not implemented. We did not identify any conditions during our current audit that warrant repeating the findings from the prior report, but we note that PMB cannot classify recommendations as implemented until it receives adequate documentation supporting that classification.

We also reviewed the Commonwealth's Comprehensive Annual Financial Report and Single Audit Report for CFYs 2008 and 2009 and determined that the Department's Wildlife and Sport Fish Restoration Programs were not identified as major programs in the Single Audits. 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 one condition, however, that resulted in the finding listed below. We discuss the finding in more detail in the Finding and Recommendation section.

Ineligible Charges from Compensatory Time. The Department did not track compensatory time earned by activity, which could result in ineligible charges to the Program grants.

Finding and Recommendation

A. Ineligible Charges from Compensatory Time

For every hour that employees work beyond their normal workweek, the Department can grant them equal time off, known as compensatory time, in lieu of overtime pay. Compensatory time is not charged to the activity for which it was earned. Instead, it is charged to Program and non-Program activities on which the employees were working at the time they took leave. Because the Department does not track compensatory time by activity when earned, ineligible activities could be charged to the Program grants.

The Code of Federal Regulations (CFR) outlines cost principles that States must follow when compensating employees for work performed under Federal awards. According to 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. Furthermore, 2 CFR § 225, Appendix B, subsection 8.h(4) states, “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports.”

This condition occurred because the Department did not have policies and procedures to ensure that only eligible activities associated with compensatory time are charged to the Program grants. As a result, when employees earn compensatory time from working on non-Program activities, the Department could improperly charge the related costs to the Program grants.

Recommendation

We recommend that FWS direct the Department to implement policies and procedures to ensure that only eligible costs associated with compensatory time are charged to the Program grants.

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 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

**Commonwealth of Kentucky
Department of Fish and Wildlife Resources
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009**

Grant Number	Grant Amount	Claimed Costs
F-I-55	\$232,000	\$170,869
F-I-56	232,000	172,856
F-I-57	232,000	141,320
F-40-30	577,900	458,890
F-40-31	520,000	494,727
F-40-32	475,000	86,713
F-49-21	1,315,631	986,916
F-49-22	1,632,654	1,158,346
F-49-23	2,395,362	49,156
F-50-30	4,200,000	4,351,218
F-50-31	4,000,000	4,453,176
F-50-32	4,200,000	806,043
F-65-15	260,000	291,867
F-65-16	260,000	287,609
F-65-17	260,000	136,014
F-71-3	2,791,167	2,836,483
F-71-4	34,553	319,618
F-77-M-1	1,125,000	1,853,734
F-78-DB-1	133,334	39,290
F-79-L-1	112,000	0
FW-3-30	260,000	228,936
FW-3-31	240,000	193,759
FW-3-32	200,000	91,891
FW-6-10	173,333	227,135
FW-6-11	173,333	246,361
FW-6-12	173,333	52,000
W-45-38	828,529	4,985,790
W-45-39	1,616,900	5,526,458
W-45-40	6,239,214	3,720,904

**Commonwealth of Kentucky
Department of Fish and Wildlife Resources
Financial Summary of Review Coverage
July 1, 2007, Through June 30, 2009**

Grant Number	Grant Amount	Claimed Costs
W-46-19	2,389,350	2,389,350
W-62-2	211,333	204,650
W-62-3	\$87,785	\$122,170
W-65-3	71,000	132,306
W-65-4	71,000	81,765
W-65-5	71,000	73,203
W-67-R-1	50,000	40,017
W-68-M-1	26,667	24,955
W-69-R-1	165,656	38,896
W-7-11	1,180,952	1,497,797
W-7-12	800,000	1,815,352
W-7-13	1,333,333	829,470
TOTAL	\$41,351,319	\$41,618,010

Appendix 2

**Commonwealth of Kentucky
Department of Fish and Wildlife Resources
Sites Visited**

Headquarters

Frankfort

Wildlife Management Areas

Clay

Doug Travis

John A. Kleber

Taylorsville Lake

Fishing and Boating Access Sites

Cedar Creek Lake

General Butler State Park Lake

Ghent Ramp

Fish Hatchery

Minor Clark

Appendix 3

KENTUCKY DEPARTMENT OF FISH AND WILDLIFE RESOURCES STATUS OF AUDIT FINDING AND RECOMMENDATION

Recommendation	Status	Action Required
A	FWS management concurs with the recommendation, but additional information is needed, as outlined in the “Actions required” column.	Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Finding and Recommendation section under OIG comments. We will refer the recommendation not resolved and/or implemented at the end of 90 days (after February 28, 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