



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 Maine, Department of Inland Fisheries and Wildlife,  
From July 1, 2008, Through June 30, 2010



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

March 1, 2012

**AUDIT REPORT**

Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Suzanna I. Parl *Suzanna I. Parl*  
Director of External Affairs

Subject: Audit - U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration  
Program Grants Awarded to the State of Maine, Department of Inland Fisheries  
and Wildlife, From July 1, 2008, Through June 30, 2010  
Report No. R-GR-FWS-0012-2011

This report presents the results of our audit of costs claimed by the State of Maine (State), Department of Inland Fisheries and Wildlife (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 (Program). The audit included claims totaling approximately \$16.9 million on 18 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 \$321,180 because the Department did not accurately or consistently calculate payroll amounts charged to the Program grants. We also determined that the Department (1) did not ensure the State's legislation assenting to the Wildlife and Sport Fish Restoration Acts met Federal requirements, (2) did not reconcile its inventory of Program lands with FWS' records, and (3) did not adequately inventory equipment in compliance with State laws.

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 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 May 30, 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, Lori Howard, or me at 703-487-5345.

cc: Regional Director, Region 5, 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)<sup>1</sup> 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 states use 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 \$16.9 million on the 18 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 the Natural Resources Service Center in Hallowell, Maine, and visited the Maine Department of Inland Fisheries and Wildlife Headquarters, two regional offices, seven wildlife management areas, one fish hatchery, and one public access site (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 "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

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<sup>1</sup> 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 by the Department to the grants.
- 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.
- 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 December 11, 2007, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the State of Maine, Department of Inland Fisheries and Wildlife, From July 1, 2003, Through June 30, 2005" (R-GR-FWS-0016-2005). We followed up on 13 recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget considers 9 recommendations as resolved and implemented and 4 recommendations as resolved but not yet implemented. As discussed in the "Findings and Recommendations" section of this report, we are repeating the four unimplemented recommendations – three regarding inaccurate real property records and one regarding risk of diversion of license revenues through inadequate assent legislation.

We reviewed Maine's Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2009 and 2010. None of these reports contained any findings that would directly impact the Program's 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 Acts, regulations, and FWS guidance. In addition, we identified several conditions that resulted in the findings listed below, including questioned costs totaling \$321,180. We discuss the findings in more detail in the “Findings and Recommendations” section.

**Questioned Costs.** We questioned costs totaling \$321,180 because the Department did not ensure that (1) payroll expenses paid by Program grants were based on the actual number of hours employees worked on allowable activities and (2) all charges made to Program grants were eligible for reimbursement.

**Inadequate Assent Legislation.** The State assent legislation does not specifically prohibit the diversion of license revenues to non-fish and non-wildlife program activities.

**Unreconciled Real Property Records.** The Department’s inventory of lands purchased with Program grant funds did not always include a funding source, and has not been reconciled with FWS land records.

**Inadequate Equipment Inventory Process.** The Department has not performed an equipment inventory every 3 years, as required by the State.

## Findings and Recommendations

### A. Questioned Costs – \$321,180

#### 1. Unsupported Payroll Costs – \$257,034

The payroll Time and Attendance Management System (TAMS) used by the Department, records time employees spend on projects. TAMS interfaces with the state accounting system to charge payroll costs to benefitting programs. We found that, for two employees, the Department’s management assigned payroll costs to Program grants based on predetermined percentages, instead of actual hours worked, as recorded on personnel activity reports. As a result, we are questioning \$257,034 as unsupported costs.

The table below details the unsupported questioned costs (Federal share).

Grant Number	Unsupported Costs
<b>F-28-P-32</b>	\$14,785
<b>F-28-P-33</b>	60,963
<b>F-28-P-34</b>	42,238
<b>W-87-R-2</b>	18,520
<b>W-87-R-3</b>	71,617
<b>W-87-R-4</b>	48,911
<b>TOTAL</b>	<b>\$257,034</b>

According to 2 CFR § 225, Appendix B, section 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.” Furthermore, 2 CFR § 225, Appendix B, section 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.

The Department did not have policies and procedures in place to ensure that payroll expenses paid by Program grants are based on the actual number of hours employees worked on allowable activities, as recorded on personnel activity reports.

Because the Department may have been reimbursed for payroll costs that did not represent the actual number of hours employees worked on Program grants, we are questioning \$257,034 as unsupported costs (Federal share).

### Recommendations

We recommend that FWS:

1. Resolves the unsupported questioned costs totaling \$257,034.
2. Works with the Department to implement policies and procedures to ensure payroll expenses are properly supported by personnel activity reports.

### Department Response

Department officials concurred with the finding and recommendations.

### FWS Response

FWS Regional officials concurred with the finding and recommendations. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendations.



### **OIG Comments**

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

- The specific actions(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 Payroll Costs – \$64,146**

We found that the Department transferred \$62,625 of payroll costs from “Loon Plate,” a State funded project, to grant W-87-R-3. The Loon Plate project is not an eligible grant activity. In addition, grant W-87-R-3 was charged \$1,521 for non-grant related activities due to an accounting error.

According to 2 CFR § 225, Appendix A, sections C.1a, b, and j; to be allowable under Federal awards, costs must be necessary and reasonable, provide a benefit to the grant, and be adequately supported.

The Department did not have policies and procedures to ensure that reclassified payroll costs are for eligible grant charges. In addition, an accounting error was made that resulted in charging non-grant related activities.

As a result, we are questioning ineligible costs of \$64,146 to grant W-87-R-3 because the Department transferred payroll expenses for non-grant related activities (\$62,625) and made an accounting error (\$1,521).

### **Recommendations**

We recommend that FWS:

1. Resolves the ineligible questioned costs totaling \$64,146.
2. Works with the Department to implement policies and procedures to ensure payroll expenses are eligible for reimbursement under the Program.

### **Department Response**

Department officials concurred with the finding and recommendations.

**FWS Response**

FWS Regional officials concurred with the finding and recommendations. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendations.

**OIG Comments**

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

- The specific actions(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. Inadequate Assent Legislation**

The State's legislation assenting to the Acts does not include a prohibition against diverting license fees for purposes other than the administration of its fish and wildlife agencies. While the Maine Revised Statutes (MRS 12 § 10801) identify purposes for which fish and wildlife revenues can be used, it does not specifically prohibit the diversion of license revenues to non-fish and non-wildlife program activities. The Department is directed to deposit funds from the sale of licenses into the Treasury as undedicated revenue to the General Fund.

According to 50 CFR § 80.3, "A state may participate in the benefits of the Act(s) only after it has passed legislation which assents to the provisions of the Acts and has passed laws for the conservation of fish and wildlife including a prohibition against the diversion of license fees paid by hunters and sport fishermen to purposes other than the administration of the fish and wildlife agency."

Department officials have not enacted legislation that would prohibit diversion of license revenue. Without adequate assent legislation, the State could be deemed ineligible to participate in the Program.

We reported a similar condition in our prior audit report (No. R-GR-FWS-0016-2005). We are, therefore, repeating the applicable recommendation from that report (Recommendation A.2), which will be tracked under the resolution process for the prior audit.

### **Repeat Recommendation**

We recommend that FWS requires the Department to amend MRS 12 § 10801, to comply with the Acts and ensure no opportunity exists to divert license revenues to purposes other than administration of the fish and wildlife agency.

#### **Department Response**

Department officials did not concur with the finding and repeat recommendation, but will seek to modify Maine's assent legislation.

#### **FWS Response**

FWS Regional officials concurred with the finding and repeat recommendation. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and repeat recommendation.

#### **OIG Comments**

The implementation of this repeat recommendation will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of this repeat recommendation to the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget.

### **C. Inadequate Real Property Records**

To help maintain control over the use of land acquired with Program funds or license revenue, the Department must ensure its database of real property is accurate and reconciles with land records maintained by FWS. The Department and FWS said they had not done a reconciliation. We reviewed 25 grants that contained land acquisitions and found that 16 showed differences in reported acreage.

Although the Department maintains a database to track land purchased with Program funds, license revenue, or other funding sources, we found that approximately 150 of 1,800 records did not identify a funding source.

The "Code of Federal Regulations" (50 CFR § 80.18) requires the states to be responsible for the accountability and control of all assets acquired with Program funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Also, 50 CFR § 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

Department officials acknowledged that they had not implemented prior recommendations. The Department had not developed policies and procedures to ensure that (1) funding sources are included in the documentation for all land acquisitions, (2) there are complete and accurate lists of all lands acquired with

Program funds or license revenues, and (3) land records have been reconciled with FWS' land records. As a result, the Department's land records are not adequate to ensure that lands acquired with grant funds are used only for their intended purpose.

We reported similar conditions in our prior audit report (No. R-GR-FWS-0016-2005). We are, therefore, repeating the applicable recommendations from that report (Recommendations E.1, E.2, and E.3), which will be tracked under the resolution process for the prior audit.

#### **Repeat Recommendations**

We recommend that FWS:

1. Develops policies and procedures for land acquisitions that require the identification of funding source.
2. Establishes complete and accurate lists of all lands acquired with Program funds and license revenues.
3. Requires the Department to reconcile their land records with FWS.

#### **Department Response**

Department officials concurred with the finding and repeat recommendations.

#### **FWS Response**

FWS Regional officials concurred with the finding and repeat recommendations. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and repeat recommendations.

#### **OIG Comments**

The implementation of these repeat recommendations will be tracked under the prior audit report. Accordingly, FWS should send documentation regarding the implementation of these recommendations to the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget.

#### **D. Inadequate Equipment Inventory Process**

Federal regulations (43 CFR § 12.72) require each State to follow its own procedures to use, manage, and control its property to ensure it maintains accountability for its equipment. The "Maine State Administrative and Accounting Manual," Chapter 35.10.54, requires the Department to conduct an equipment inventory at least once every 3 years. We found that the Department conducted the last inventory in 2006.

Because the Department has not done an equipment inventory since 2006, it is at risk of losing Program-funded equipment and, therefore, cannot ensure that equipment is used for its intended purpose.

#### **Recommendation**

We recommend that FWS ensures the Department follows State policy to conduct an equipment inventory at least once every 3 years.

#### **Department Response**

Department officials concurred with the finding and recommendation.

#### **FWS Response**

FWS Regional officials concurred with the finding and recommendation. FWS will work with the Department in developing and implementing a corrective action plan that will resolve the finding and recommendation.

#### **OIG Comments**

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

- The specific actions(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.

# Appendix I

State of Maine  
Department of Inland Fisheries and Wildlife  
Financial Summary of Review Coverage  
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs	Questioned	
			Ineligible	Unsupported
F-28-P-32	\$2,698,000	\$2,698,000		\$14,785
F-28-P-33	3,151,334	3,074,784		60,963
F-28-P-34	3,158,000	1,136,356		42,238
F-30-L-52	195,612	60,660		
F-30-L-53	678,431	0		
F-31-D-45	240,000	126,356		
F-38-D-17	70,000	51,948		
F-38-D-18	70,000	29,005		
F-38-D-19	70,000	5,504		
W-79-S-37	406,978	330,596		
W-79-S-38	426,278	369,868		
W-79-S-39	447,591	45,828		
W-87-R-2	2,349,333	2,349,332		18,520
W-87-R-3	3,682,667	3,682,667	\$64,146	71,617
W-87-R-4	3,682,666	2,428,280		48,911
W-88-D-2	304,895	303,740		
W-88-D-3	350,667	65,584		
W-88-D-4	350,667	154,412		
<b>TOTAL</b>	<b>\$22,333,119</b>	<b>\$16,912,920</b>	<b>\$64,146</b>	<b>\$257,034</b>

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## Appendix 2

**State of Maine  
Department of Inland Fisheries and Wildlife  
Sites Visited**

**Headquarters**

Augusta

**Natural Resources Service Center**

Hallowell

**Regional Offices**

Region B - Sidney

Region C - Jonesboro

**Wildlife Management Areas**

Alonzo H. Garcelon

Bud Leavitt (Bull Hill)

Cobscook Bay

Frye Mountain (Gene Letourneau)

Jonesboro

Lyle Frost (Scammon Pond)

Mattawamkeag River System

**Fish Hatchery**

Enfield

**Public Access Site**

Upper Cold Stream Pond

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## Appendix 3

**State of Maine**  
**Department of Inland Fisheries and Wildlife**  
**Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A1.1, A1.2, A.2.1, A.2.2, and D	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 Findings and Recommendations section under OIG Comments. We will refer the recommendations not resolved and/or implemented at the end of 90 days (after May 30, 2012) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.
Repeat Recommendations B, C.1, C.2, and C.3	Repeat recommendations from our prior report (No. R-GR-FWS-0016-2005, Recommendations A.2, E.1, E.2, and E.3). PMB considers these recommendations resolved but not implemented.	Provide documentation regarding the implementation of these repeat recommendations to PMB.



## **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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<b>By Fax:</b>	703-487-5402	
<b>By Mail:</b>	U.S. Department of the Interior Office of Inspector General Mail Stop 4428 MIB 1849 C Street, NW. Washington, DC 20240	