



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 Government of Guam, Department of Agriculture,
From October 1, 2009, Through September 30, 2011



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

November 14, 2012

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park //signed//
Director of External Audits

Subject: Audit – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration
Program Grants Awarded to the Government of Guam, Department of
Agriculture, From October 1, 2009, Through September 30, 2011
Report No. R-GR-FWS-0012-2012

This report presents the results of our audit of costs claimed by the government of Guam (Guam), Department of Agriculture (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to Guam under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$4.1 million on 32 grants that were open during fiscal years that ended September 30, 2010, and September 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 identified, however, that the Department (1) improperly drew down grant reimbursements for expenditures related to another grant, and (2) did not have adequate supporting documentation for a drawdown. In addition, Guam had not conducted the required physical inventory of the Department's equipment.

We provided a draft report to FWS for a response. We summarized Department and FWS Region 1 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 12, 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. Tim Horsma, or me at 703-487-5345.

cc: Regional Director, Region 1, 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 8

Appendix 2..... 9

Appendix 3..... 10

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 States² 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. For certain Government entities, including Guam, the Acts allow for full reimbursement of eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the States' 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 government of Guam (Guam), Department of Agriculture (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; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$4.1 million on the 32 grants open during State fiscal years (SFYs) that ended September 30, 2010, and September 30, 2011 (see appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's Division of Aquatic and Wildlife Resources headquarters in Mangilao, GU, and visited the Masso Reservoir Project, two fishing access locations, and Cocos Island to observe wildlife research (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.

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

² The Acts define the term “State” to include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

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—

- 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 February 14, 2008, we issued "Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Government of Guam, Department of Agriculture, From October 1, 2004, Through September 30, 2006" (No. R-GR-FWS-0009-2007). 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 the single audit report and comprehensive annual financial report for SFY 2010. These reports found that the government of Guam had not performed the required comprehensive physical inventories of its property in SFY 2010 or in the 2 prior years.

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, several conditions that resulted in the findings listed below.

Improper Drawdowns. The Department improperly drew down grant reimbursements from grant F-9-D-7 for expenditures related to grant F-1-R-18.

Inadequate Documentation for a Drawdown. The Department did not have adequate supporting documentation on grant F-14-R-5 for a drawdown.

Inadequate Equipment Management. Guam had not conducted the required physical inventory of the Department's equipment.

Findings and Recommendations

A. Improper Drawdowns

Under the Program, FWS may reimburse the Department 100 percent of grant expenditures, provided the Department expends its funds prior to seeking reimbursement. We found that the Department improperly drew down funds from grant F-9-D-7 (Maintenance and Redeployment of Fish Aggregating Devices) for expenditures related to grant F-1-R-18 (Guam Sport Fish Investigations).

The Code of Federal Regulations (CFR), 2 CFR § 225, appendix A(c)(1), provides basic guidelines for cost allowability. Specifically, to be allowable under Federal awards, costs must be necessary and reasonable, allocable, authorized or not prohibited, and adequately documented. In addition, 2 CFR § 225, appendix B, states that a cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards.

Further, 50 CFR § 80.16 requires payments to be made for the Federal share of allowable costs incurred by the State in accomplishing approved projects. Under this section, costs must be incurred on approved projects before the State may request reimbursement.

According to a Department official, the expenses were charged to grant F-9-D-7 because grant F-1-R-18 had not yet been approved and related funds obligated. This official also stated that once grant F-1-R-18 was approved, the expenditures were transferred to this grant.

Based on our review, the Department should have waited until grant F-1-R-18 was approved before drawing down funds. The Department did not receive excess reimbursement on these grants, but there is the potential that excess reimbursement may be received if appropriate accounting adjustments are not made.

Recommendation

We recommend that FWS ensure that the Department limits grant reimbursement requests to allowable expenses only.

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.

B. Inadequate Documentation for a Drawdown

Under the Program, FWS may reimburse the Department 100 percent of grant expenditures, provided that the Department expends its funds on grant activity prior to seeking reimbursement. In addition, when a subgrantee performs grant activity, the Department must ensure that adequate support is provided to demonstrate that work is performed prior to requesting reimbursement.

We found that the Department incorrectly drew down the initial reimbursement of \$99,618 from grant F-14-R-5 (Connectivity of Reef Fish Populations within the Mariana Islands and the Greater Micronesia Region) before ensuring that the work required under the grant had been performed. This grant was comprised of work under a memorandum of understanding between the Department and the University of Guam.

Federal regulations (50 CFR § 80.15(a) and (b)) state that to be allowable, costs must be necessary, reasonable for the accomplishment of the approved project purpose, and supported by source documents or other records as necessary to substantiate the application of funds. Title 50 CFR § 80.16 requires payments to be made for the Federal share of allowable costs incurred by the State in accomplishing approved projects.

The Department did not ensure that drawdowns were made only when supported by adequate documentation of the costs incurred.

Because the Department did not initially provide adequate documentation to support the initial drawdown, it could not ensure that expenditures were used for their intended purposes. The Department did subsequently provide adequate documentation, so we are not questioning any costs.

Recommendation

We recommend that FWS require the Department to ensure that drawdowns are made only when supported by documentation of costs incurred.

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.

C. Inadequate Equipment Management

Guam's Department of Administration (Agency) is responsible for completing physical inventories every 2 years and maintaining the official fixed asset records for Guam. The Agency did not adequately account for and control fixed assets (equipment) purchased with Program grant funds and hunting license revenues.

We found that the Agency did not conduct the required physical equipment inventory.

The SFY 2010 single audit report also contained a finding on Guam's failure to conduct the required physical inventories in that year or the 2 prior years.

Complete and accurate records are essential for managing equipment effectively. Federal regulations (50 CFR § 80.18) require that the State be responsible for the accountability and control of all assets to ensure that they are used for the purpose for which they were acquired throughout their useful life. In addition, 43 CFR § 12.72(b) requires the State to follow their own laws and procedures when managing equipment. The Agency's fixed assets inventory procedures, updated October 27, 2010, require—

- a physical inventory be performed every 2 years;
- the results of the Agency inventories to be cross-checked with the Agency's fixed asset records; and
- any discrepancies between the inventories and the fixed asset records be reconciled.

We believe these conditions occurred because the Agency had not assigned sufficient priority to account for and control fixed assets by conducting the required physical inventories of Agriculture's equipment. The SFY 2010 single audit report stated that—

- noncompliance with applicable equipment requirements has been a continuing finding;
- inventories were not conducted because Guam was in the process of implementing its fixed asset management system; and
- efforts were first being made to tag all of the equipment with bar code property identification labels before conducting the physical inventories.

According to a Department official, although the Department had not implemented policy and procedures, it has been updating its equipment records. The Agency's failure to conduct the required periodic inventories and to keep accurate records hinders the Department's ability to safeguard and account for its equipment. As a result, the Department cannot ensure that equipment items purchased with Program grant funds were being used for the purposes for which they were originally acquired, nor can it ensure that any equipment items purchased with hunting license revenues were being used for fish and wildlife related purposes.

Recommendation

We recommend that FWS require the Department to work with the Agency to follow procedures—specifically, to conduct a physical inventory every 2 years and to ensure that any discrepancies between the inventories and the fixed asset records be reconciled.

Department Response

Department officials concurred with the finding and recommendation. The Department also stated that the Government of Guam is working to resolve the equipment inventory process.

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

**Government of Guam
Department of Agriculture
Financial Summary of Review Coverage
October 1, 2009, Through September 30, 2011**

Grant Number	Grant Amount	Claimed Costs
F-1-R-14	\$1,480,244	\$421,521
F-1-R-17	333,395	333,395
F-1-R-18	333,308	331,508
F-6-B-6	121,606	6,302
F-8-D-5	57,616	9,532
F-8-D-6	28,085	12,492
F-9-D-7	643,826	541,992
F-9-D-8	335,317	22,102
F-11-D-1	531,043	481,204
F-14-R-1	325,985	127,969
F-14-R-2	38,781	12,260
F-14-R-3	100,000	98,117
F-14-R-4	140,222	47,983
F-14-R-5	292,833	202,926
F-14-R-6	17,500	11,432
F-14-R-7	28,100	9,990
F-14-R-9	44,205	30,160
F-14-R-10	206,860	66,097
F-14-R-11	4,000	439
F-14-R-18	15,000	
F-15-E-1	27,822	12,900
F-16-D-1	30,000	19,768
F-17-R-1	70,108	55,866
F-17-R-2	71,901	53,961
F-19-E-1	94,701	66,897
F-19-E-2	162,898	76,037
F-20-B-1	98,606	94,396
F-21-B-1	744,106	221,027
FW-3-C-18	218,548	181,139
FW-3-C-19	248,936	109,598
W-1-R-18	458,865	187,125
W-1-R-19	642,992	264,974
Totals	\$7,947,409	\$4,111,109

Appendix 2

**Government of Guam
Department of Agriculture
Sites Visited**

Headquarters
Mangilao

Wildlife Research Project
Cocos Island

Fishing Access
Agana Boat Basin
Ylig River

Reservoir Restoration
Masso Reservoir

Appendix 3

**Government of Guam
Department of Agriculture
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A, B, and C	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 12, 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.



By Internet: www.doioig.gov

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