



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

**U.S. FISH AND WILDLIFE SERVICE SPORT FISH RESTORATION  
PROGRAM GRANTS**

Awarded to the State of North Carolina, Division of Marine Fisheries  
From July 1, 2010, Through June 30, 2012

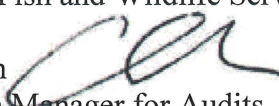


**OFFICE OF  
INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**MAR 27 2014**

Memorandum

To: Daniel M. Ashe  
Director, U.S. Fish and Wildlife Service

From: Charles Haman   
Central Region Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Sport Fish Restoration Program Grants Awarded to the State of North Carolina, Division of Marine Fisheries, From July 1, 2010, Through June 30, 2012  
Report No. R-GR-FWS-0013-2013

This report presents the results of our audit of costs claimed by the State of North Carolina, Division of Marine Fisheries (Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Sport Fish Restoration Program. The audit included claims totaling \$6.1 million on 24 grants that were open during the State fiscal years that ended June 30, 2011, and June 30, 2012 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of fishing license revenues and the reporting of program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements. The Division, however, had not assented to the Sport Fish Restoration Act as required to receive Program funding.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS Region 4's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 2.

Please provide us with a corrective action plan based on our recommendations by June 25, 2014. The plan should provide information on actions taken or planned to address the recommendations, as well as target dates and the title(s) of the official(s) responsible for implementation.

Please address your response to:

Charles Haman  
Central Region Manager  
Audits, Inspections, and Evaluations  
U.S. Department of the Interior  
Office of Inspector General  
12345 West Alameda Parkway, Suite 300  
Lakewood, CO 80228

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please contact the audit team leader, Lori Howard, at 703-357-7707 or me at 303-236-9243.

cc: Regional Director, Region 4, U.S. Fish and Wildlife Service

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# Introduction

## Background

The Dingell-Johnson Sport Fish Restoration Act (Act)<sup>1</sup> established the 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 resources. The Act 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 Act also requires that fishing license revenue be used only for the States' administration of their fish agencies. 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 North Carolina, Division of Marine Fisheries (Division)—

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

## Scope

Audit work included claims totaling approximately \$6.1 million on the 24 grants open during the State fiscal years (SFYs) that ended June 30, 2011, and June 30, 2012 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Division headquarters in Morehead City, NC. 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 this audit in accordance with Generally Accepted Government Auditing Standards. 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> 16 U.S.C. §§ 777, as amended.

Our tests and procedures included—

- examining the evidence that supports selected expenditures the Division charged to the grants;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Division employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Division used fishing license revenue solely for the administration of fish program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Act.

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

We did not perform any testing of the license-fee system because the Division does not have control over its function. The license-fee system is administered by the North Carolina Wildlife Resources Commission (WRC), and testing of the system will occur during the upcoming WRC audit (R-GR-FWS-0003-2014).

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Division employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

## **Prior Audit Coverage**

On November 21, 2008, we issued “Audit on U.S. Fish and Wildlife Service Sport Fish Restoration Program Grants Awarded to the State of North Carolina, Division of Marine Fisheries, from July 1, 2005 Through June 30, 2007” (R-GR-FWS-0008-2008). 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 also reviewed single audit reports and comprehensive annual financial reports for SFYs 2011 and 2012. None of these reports contained any findings that would directly affect the Program grants.

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# Results of Audit

## Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Act, regulations, and FWS guidance. We found, however, that the State has not assented to the Sport Fish Restoration Act as required.

## Finding and Recommendations

The Sport Fish Restoration Act (50 C.F.R. § 80.10) requires that before any monies are apportioned to a State under the Act, the State must (1) assent to the provisions of the Act and (2) pass laws for fish conservation.

The North Carolina General Assembly enacted a statute (North Carolina General Statute 113-175.1) for fish conservation, which includes a prohibition against using license fees for any purpose other than the administration of the Division but does not include language that the State assents to the Act.

Division officials believe that the language used in the statute implies that the Division assents to the Act. The statute, however, does not cite the Act, nor does it specifically authorize and empower the Division to comply with the Act. As a result, the Division may not be entitled to receive funds apportioned under the Act.

### Recommendations

We recommend that FWS work with the Division to:

1. Amend the legislation to include language that specifically assents to the Act; and
2. Present the amended statute to the North Carolina General Assembly for consideration.

### Division Response

The Division does not concur with the finding but is nonetheless working with FWS officials to implement the recommendations. Although Division officials assert that the current assent legislation is adequate, they will develop new assent language for submission to the North Carolina General Assembly.

### FWS Response

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



**OIG Comments**

We consider the recommendations resolved but not implemented (see Appendix 2).

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# Appendix I

**State of North Carolina  
Division of Marine Fisheries  
Financial Summary of Review Coverage  
July 1, 2010, Through June 30, 2012**

<b>FWS Grant Number</b>	<b>FBMS Grant Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>
F-25-25	-	\$244,934	\$244,134
F-25-26	F11AF00808	244,934	244,934
F-25-27	F12AF00041	244,934	67,659
F-28-25	-	179,960	148,949
F-28-26	F11AF00806	156,427	148,828
F-28-27	F12AF00070	156,427	55,732
F-31-24	-	412,534	408,297
F-31-25	F11AF00929	412,534	356,619
F-31-26	F12AF00283	408,400	76,464
F-42-20	-	293,334	321,789
F-42-21	F11AF00807	406,220	171,429
F-42-22	F11AF00966	541,973	465,680
F-56-17	-	448,000	410,721
F-56-18	F10AF00454	448,000	422,778
F-56-19	F11AF00734	454,934	311,956
F-70-10	F10AF00340	341,334	274,983
F-70-11	F11AF00449	674,880	495,192
F-75-10	F10AF00341	349,600	266,499
F-75-11	F11AF00655	363,815	267,456
F-80-7	-	106,667	90,936
F-80-8	F11AF00930	148,267	111,707
F-92-R-2	F10AF00339	449,847	188,228
F-92-R-3	F11AF00659	384,534	283,403
F-96-E-1	F10AF00295	293,334	281,621
<b>Total</b>		<b>\$8,165,821</b>	<b>\$6,115,994</b>

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## Appendix 2

**State of North Carolina  
Division of Marine Fisheries  
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
I and 2	<p>We consider recommendations 1 and 2 resolved but not implemented.</p> <p>FWS regional officials acknowledged the finding and recommendations and will work with the Division on a corrective action plan.</p>	<p>Based on the FWS response, the corrective action plan should include specific action(s) taken or planned to address the recommendations, targeted completion dates, title(s) of the official(s) responsible for implementing the actions taken or planned, and verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division. We will refer any unimplemented recommendation(s) by June xx, 2014, to the Assistant Secretary for Policy, Management and Budget for implementation tracking.</p>

# **Report Fraud, Waste, and Mismanagement**



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