



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 Delaware, Department of Natural Resources
and Environmental Control, From July 1, 2008, Through June 30, 2010



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

May 31, 2011

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park *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 State of Delaware, Department of Natural Resources and Environmental Control, From July 1, 2008, Through June 30, 2010 (No. R-GR-FWS-0014-2010)

This report presents the results of our audit of costs claimed by the State of Delaware (the State), Department of Natural Resources and Environmental Control (the 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 Program). The audit included claims totaling approximately \$16.9 million on 77 grants that were open during State fiscal years (SFYs) ended June 30 of 2009 and 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 \$15,089, however, and determined that the Department did not have controls in place to prevent compensatory time earned under ineligible activities from being charged to the Program grants.

We provided a draft report to FWS for a response. We summarized the Department and FWS Region 5 responses, 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 August 29, 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. Crist Chensvold, 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 (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 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 77 grants that were open during SFYs ended June 30, 2009 and 2010 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Dover, DE, and visited nine wildlife areas, three boating access areas, an aquatic resources education center, a fishing pier, a fisheries office, and a hunter education training center (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

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

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.
- 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 October 16, 2006, we issued "Final Audit Report on the U.S. Fish and Wildlife Service, Federal Assistance Division, Grants Administered by the State of Delaware, Department of Natural Resources and Environmental Control, Division of Fish and Wildlife, From July 1, 2003, through June 30, 2005" (No. R-GR-FWS-0027-2005). 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 them to be resolved and implemented.

We also reviewed Delaware's Comprehensive Annual Financial Report and Single Audit Report for SFY 2009. Neither of these reports contained any findings that would directly impact 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 several conditions, however, that resulted in the findings listed below, including questioned costs totaling \$15,089. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned \$15,089 in unsupported in-kind contributions claimed on three grants because the Department did not maintain adequate documentation to support the hours claimed.

Inadequate Tracking of Compensatory Time. The Department did not have controls in place to prevent employees from charging compensatory time to the Program grants for work originally performed on ineligible activities.

Findings and Recommendations

A. Questioned Costs — \$15,089

Under the Program, States must use “State matching” (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. Noncash (“in-kind”) contributions may be used to meet States’ matching share of costs, and as with costs claimed for reimbursement, States must support the value of these contributions. For instance, when the in-kind match consists of volunteer labor, Federal regulations require States to support the value of the labor in the same manner as their regular personnel costs.

We reviewed a sample of volunteer labor donated under a hunter education grant (W-34-S-11) and two aquatic education grants (F-43-E-18 and F-43-E-19). The Department calculated these contributions by multiplying labor rates by the hours donated. However, a portion of the volunteer labor claimed on these grants was unsupported. Specifically, the Department:

- Did not ensure that volunteers certified their timesheets in a manner similar to Department employees.
- Did not ensure that the Department’s volunteer coordinator or another employee signed the timesheets to indicate approval.
- Inputted hours on timesheets before volunteers actually contributed their time.
- Claimed unreasonable amounts of time donated, including up to 24 hours claimed by volunteers in a single day.

The Code of Federal Regulations (CFR) provides the general documentation requirements for in-kind contributions. It also provides guidance on calculating the value of the contributions. Under 2 CFR § 225, Appendix A, subsection C, which outlines basic guidelines on cost principles, costs must be adequately documented to be allowable under Federal awards. According to 43 CFR § 12.64(b)(6), in-kind contributions consisting of volunteer services will, to the extent possible, be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

This issue arose because:

- Department employees responsible for the hunter education and aquatic education programs did not adequately review the timesheets for volunteers' and approving officials' signatures.
- One of the Department's volunteer program coordinators did not realize that timesheets should be completed by the volunteers rather than by a volunteer coordinator in advance.
- The Department did not have a policy to limit the number of hours claimed by volunteers in a single day.

Because the Department could not support the full value of the in-kind contributions claimed on Grants W-34-S-11, F-43-E-18, and F-43-E-19, we are questioning costs totaling \$15,089 as unsupported, as calculated in the table below.

Description of Calculation	W-34-S-11	F-43-E-18	F-43-E-19	TOTAL
Total Grant Outlays	\$586,369	\$603,906	\$592,350	
Less: Unsupported In-Kind Contributions	7,475	13,895	32,304	
Revised Grant Outlays	578,894	590,011	560,046	
Allowable Federal Share	75%	75%	75%	
Allowable Federal Amount	434,171	442,508	420,035	
Less: Original Federal Share Claimed	439,777	444,574	427,452	
Federal Share Questioned Costs	\$5,606	\$2,066	\$7,417	\$15,089

Recommendations

We recommend that FWS:

1. Resolve the unsupported questioned costs of \$15,089.
2. Ensure the Department develops and implements policies and procedures to review volunteers' timesheets for accuracy, completeness, and compliance with Federal regulations.
3. Ensure the Department develops and implements a policy to limit the number of hours volunteers can reasonably contribute in a single day.

Department Response

Department officials concurred with the finding and recommendations and stated that they will work with FWS to resolve the questioned costs and develop a corrective action plan.

FWS Response

FWS regional officials concurred with the finding and recommendations and stated that they will work with the Department to develop and implement a corrective action plan.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

B. Inadequate Tracking of Compensatory Time

When employees of the Department work beyond their normal workweek, they may be eligible to receive time off, known as compensatory time, in lieu of overtime pay. At the time employees take leave, they are required to notate on their timesheets the funding source under which they earned compensatory time. The Department, however, did not have controls in place to prevent employees from charging compensatory time to the Program grants for work originally performed on ineligible activities.

Although the Department is implementing a new timekeeping system that should charge compensatory time to the funding source as it is earned, we did not test this system because it has not been fully implemented.

The 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 ensure the Department implements policies and procedures so that only eligible costs associated with compensatory time are charged to the Program grants.

Department Response

Department officials concurred with the finding and recommendation and noted that all staff charging time to projects funded by Federal grants and State license revenues are now using a new automated timekeeping system. According to the Department, the new system eliminates the potential of staff charging compensatory time to ineligible projects. Department officials stated that they will provide FWS the necessary documentation to demonstrate acceptable corrective action for this finding.

FWS Response

FWS regional officials concurred with the finding and recommendation and stated that they will work with the Department to develop and implement a corrective action plan.

OIG Comments

Based on the FWS response, additional information is needed in the corrective action plan, including verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

Appendix I

State of Delaware
Department of Natural Resources and Environmental Control
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs	Unsupported Questioned Costs (Federal Share)
F-2-D-57	\$426,000	\$373,516	
F-2-D-58	438,000	350,597	
F-2-D-59	457,400	240,917	
F-33-R-27	126,000	90,695	
F-33-R-28	132,300	112,291	
F-33-R-29	138,915	133	
F-41-R-20	68,500	51,407	
F-41-R-21	80,000	75,287	
F-41-R-22	101,600	24,063	
F-42-R-20	199,964	189,831	
F-42-R-21	187,012	169,214	
F-43-E-18	615,000	603,906	\$2,066
F-43-E-19	575,000	592,350	7,417
F-43-E-20	627,000	377,295	
F-47-R-18	296,756	281,710	
F-47-R-19	295,100	272,568	
F-47-R-20	306,163	116,680	
F-48-D-16	800,000	773,017	
F-48-D-17	800,000	293,362	
F-48-D-18	936,000	50,453	
F-50-D-7	121,832	115,668	
F-50-D-8	121,436	121,493	
F-50-D-9	119,109	36,500	
F-51-T-15	145,030	151,986	
F-51-T-16	192,892	181,645	
F-51-T-17	182,000	103,000	
F-52-C-15	212,500	211,974	
F-52-C-16	178,000	177,895	
F-52-C-17	151,800	88,536	

State of Delaware
Department of Natural Resources and Environmental Control
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs	Unsupported Questioned Costs (Federal Share)
F-56-R-13	\$65,640	\$60,109	
F-56-R-14	26,000	23,517	
F-56-R-15	25,554	1,855	
F-65-R-8	120,000	125,726	
F-65-R-9	100,000	113,145	
F-65-R-10	125,000	3,852	
F-70-D-6	1,035,879	131,775	
F-70-D-7	173,000	129,869	
F-70-D-8	170,400	16,467	
F-73-R-5	54,400	34,409	
F-73-R-6	62,700	43,789	
F-73-R-7	23,787	3,045	
F-74-D-4	350,000	242,939	
F-74-D-5	360,500	222,723	
F-74-D-6	378,000	95,185	
F-75-R-4	37,500	38,080	
F-75-R-5	62,000	11,375	
F-76-D-1	2,825,000	2,760,885	
F-77-T-3	36,319	42,457	
F-77-T-4	36,734	31,540	
F-77-T-5	37,250	17,155	
F-78-D-1	577,000	70,983	
F-79-D-1	666,667	668,167	
F-81-D-1	1,500,000	0	
W-5-D-60	1,382,500	1,376,982	
W-5-D-61	2,882,000	2,023,935	
W-5-D-62	1,678,400	0	
W-21-R-44	7,000	7,005	
W-21-R-45	7,000	7,016	
W-21-R-46	7,700	0	
W-30-C-15	102,000	100,161	
W-30-C-16	90,000	81,308	
W-30-C-17	68,200	44,033	

State of Delaware
Department of Natural Resources and Environmental Control
Financial Summary of Review Coverage
July 1, 2008, Through June 30, 2010

Grant Number	Grant Amount	Claimed Costs	Unsupported Questioned Costs (Federal Share)
W-33-R-12	\$13,320	\$13,036	
W-33-R-13	14,440	14,472	
W-33-R-14	14,952	0	
W-34-S-11	650,000	586,369	\$5,606
W-34-S-12	730,000	724,756	
W-34-S-13	813,541	266,356	
W-35-R-10	384,400	166,582	
W-35-R-11	260,664	3,101	
W-36-R-10	40,900	29,985	
W-36-R-11	33,715	1,137	
W-37-R-10	280,800	200,887	
W-37-R-11	142,776	14,759	
W-38-R-10	127,000	102,997	
W-38-R-11	168,396	5,857	
W-40-L-1	2,178,400	0	
TOTAL	\$29,958,743	\$16,887,770	\$15,089

Appendix 2

State of Delaware Department of Natural Resources and Environmental Control Sites Visited

Headquarters

Dover

Wildlife Areas

Assawoman

Augustine

Cedar Swamp

Chesapeake and Delaware (C&D) Canal

Little Creek

McGinnis Pond

Midlands

Milford Neck

Nanticoke

Boating Access Areas

Cedar Creek

Lewes

Woodland Beach

Other Sites

Aquatic Resources Education Center

Cape Henlopen Fishing Pier

Fisheries Little Creek Office and Lab

Ommelanden Hunter Education Training Center

Appendix 3

State of Delaware
Department of Natural Resources and Environmental Control
Status of Audit Findings and Recommendations

Recommendations	Status	Action Required
A.1, A.2, A.3, and B	FWS management concurs with the recommendations, but additional information is needed as outlined in the “Action 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, if not resolved and/or implemented at the end of 90 days (after August 29, 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.



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