



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 Ohio, Department of Natural Resources,
From July 1, 2009, Through June 30, 2011

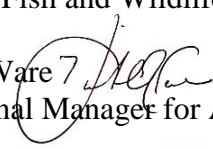


OFFICE OF
INSPECTOR GENERAL
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March 22, 2013

Memorandum

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

From: Hannibal M. Ware 
Eastern Regional Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of Ohio, Department of Natural
Resources, From July 1, 2009, Through June 30, 2011
Report No. R-GR-FWS-0014-2012

This report presents the results of our audit of costs claimed by the State of Ohio, Department of Natural Resources (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 audit included claims totaling \$36 million on seven grants that were open during State fiscal years that ended June 30, 2010, and June 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. The Department, however, had not reported program income of \$318,957 and had not reconciled its real property records with FWS.

We provided a draft report to FWS for a response. We summarized the Department and FWS Region 3 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 June 20, 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:

Hannibal M. Ware
Eastern Regional Manager
for Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit 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, Peter Rich, or me at 703-487-5345.

cc: Regional Director, Region 3, 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)¹ established the Wildlife and 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 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 States' fish and game 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 Ohio, Department of Natural Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and 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 \$36 million on the seven grants open during State fiscal years (SFYs) that ended June 30, 2010, and June 30, 2011 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Columbus, OH, and visited one district office, two fish hatcheries, and five wildlife areas (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 conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the

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

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 October 16, 2008, we issued "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Ohio, Department of Natural Resources, Division of Wildlife, from July 1, 2005 through June 30, 2007 (R-GR-FWS-0003-2008)." We followed up on all 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 (PMB) considered 11 recommendations resolved and implemented and the remaining 2 recommendations (G.1 and G.2) as resolved but not yet implemented. Therefore, we have repeated the two unimplemented recommendations, which deal with real property reconciliation and identification of funding sources. Documentation on the implementation of repeat recommendations should be sent to PMB.

We reviewed the single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. 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, however, the following two conditions that resulted in our findings.

Unreported Program Income. The Department did not report \$318,957 of program income from shooting range fees.

Incomplete Real Property Records. The Department did not reconcile its grant-funded real property records with those of FWS, and the property records did not include the funding source.

Findings and Recommendations

A. Unreported Program Income—\$318,957

Under the Program, States may earn revenue or program income from grant-supported activities and must report and use such funds in accordance with Federal regulations. Although the Department claimed program income totaling \$335,790 on Grant W-134-P-11 (Wildlife Management in Ohio) for the operation and maintenance of wildlife areas, the Department did not report an additional \$318,957 of program income generated on its four Class A shooting ranges. The operations and maintenance of the shooting ranges are included in the grant agreement.

The Code of Federal Regulations (43 C.F.R. § 12.65(b)), defines program income as gross income a grantee receives that is “directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period.” The regulations specify that program income will be deducted from total allowable costs to determine the net allowable costs, unless the Federal agency authorizes otherwise. The regulations also require grantees to use program income that the grantee did not anticipate at the time of the award to reduce the Federal agency and grantee share of grant costs, rather than to increase the funds committed to the project.

A Department official stated that the Department used a prior practice of not reporting the range fees as program income. Although the C.F.R. specifically defines program income and addresses how it will be managed, the official stated that the Department does not have any written policies or procedures for the management of program income.

The Department, however, should have reduced allowable costs by the amount of program income earned. As a result of not reporting shooting range fees of \$318,957 as program income, the Department may have overstated net allowable costs and drawn down \$239,218 in excessive Federal funds on Program grant W-134-P-11.

Recommendation

We recommend that FWS work with the Department to resolve the unreported program income of \$318,957 and excessive reimbursement of \$239,218.

Department Response

The 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, the corrective action plan should include—

- 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. Incomplete Real Property Records

The Department must ensure that its database of real property acquired with Program funds and license revenue is accurate and that its land records acquired with Program funds reconciles with land records maintained by FWS. Although FWS and the Department agreed that a reconciliation had been performed, the official property records maintained by the Division of Real Estate and Land Management (DREALM) do not identify the source of funding.

In addition, in SFY 2010, the Department used \$700,000 of license revenue to purchase the Sunday Creek Coal property but did not record the funding source in its official records. The official land records do not include the funding source for any past purchases using license funding. The prior audit (R-GR-FWS-0003-2008), dated October 16, 2008, also reported that the Department had not included the acquisition funding source for the official land records.

The Code of Federal Regulations (50 C.F.R. § 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 C.F.R. § 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

The FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter, requesting that each State maintain a real property management system that includes a comprehensive inventory of lands to ensure that its inventory is accurate and complete. In addition, under the State of Ohio Inventory Policy, the Department is required to maintain accurate and complete records for all of its property.

A Department official stated that the land acquisition data from the prior reconciliation with FWS was not retained in the official land database maintained by DREALM.

The Department's official land records maintained by DREALM, however, are not adequate to ensure that land acquired with Program funds and license revenue is being used for its intended purposes. We reported a similar condition in our prior audit report (R-GR-FWS-0003-2008). We did note that since our prior audit finding, the Division of Wildlife has made progress in reconciling the real property records with FWS, however, we are repeating the applicable recommendations from that report (Recommendations G.1 and G.2), which will be tracked under the resolution process for the prior audit.

In the corrective action plan submitted in response to the prior audit, the Department indicated that it would—

1. work with FWS Region 3 to reconcile the Program lands database with the Department's/Division's lands database; and
2. would ensure that any land purchased with Federal funds and/or hunting and fishing license revenues is appropriately identified and coded in the Department's/Division's lands database.

While on site, we determined that the Division of Wildlife is in the process of creating this required database that will include the funding information that was identified in the prior audit and addressed in the corrective action plan.

Repeat Recommendations

We recommend that FWS require the Department to:

1. Reconcile its land records with FWS land records; and
2. Ensure any land purchased with Federal funds is appropriately identified as such in its land records.

Documentation on the implementation of the repeat recommendations will be forwarded to PMB.

Appendix I

**State of Ohio
Department of Natural Resources
Financial Summary of Review Coverage
July 1, 2009, Through June 30, 2011**

Grant Number	Grant Amount	Claimed Costs
F-69-P-I I	\$25,810,363	\$20,672,515
F-70-B-I	5,000,000	4,272,997
FW-14-L-I	2,000,000	2,000,000
FW-14-L-2	0	0
FW-14-L-3	350,000	350,000
FW-14-L-4	0	0
W-134-P-I I	12,285,507	8,737,688
Total	\$45,445,870	\$36,033,200

Appendix 2

State of Ohio Department of Natural Resources

Sites Visited

Headquarters

Columbus

District Office

District 5 – Xenia

Wildlife Areas

Killdeer Plains

Resthaven

Rush Run

Tri-Valley

Wolf Creek

Woodbury

Fish Hatcheries

Castalia

Kincaid

Other

Fremont Upland Reservoir

Appendix 3

State of Ohio
Department of Natural Resources
Status of Audit Findings and Recommendations

Recommendations	Status	Action Required
A	FWS management concurred with the recommendation, but additional information is needed.	Based on the FWS response, the corrective action plan should include the items listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendation not resolved or implemented at the end of 90 days (after June 20, 2013) to the Assistant Secretary for Policy, Management and Budget for resolution or tracking of implementation.
B.1 and B.2 Repeat Recommendations	Repeat recommendations from our prior report (R-GR-FWS-0003-2008, Recommendations G.1 and G.2). PMB considers these recommendations resolved but not implemented.	Provide documentation regarding the implementation of these recommendations to PMB.

Report Fraud, Waste, and Mismanagement



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