



# **Office of Inspector General U.S. Department of the Interior**

## **AUDIT REPORT**

**U.S. Fish and Wildlife Service  
Federal Assistance Grants  
Administered by the State of  
Alaska, Department of Fish  
and Game, from July 1, 2000,  
through  
June 30, 2002**

**Report No. R-GR-FWS-0017-2003**

**July 2004**



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230  
Reston, Virginia 20191

July 9, 2004

## AUDIT REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Joe Ansnick  
Director of External Audits

Subject: Final Audit Report on U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Alaska, Department of Fish and Game, from July 1, 2000, through June 30, 2002 (No. R-GR-FWS-0017-2003)

This report presents the results of our audit of costs incurred by the State of Alaska, Department of Fish and Game (Department) and of \$49.9 million claimed under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS) for the period July 1, 2000, through June 30, 2002 (see Appendix 1).

We found that the Department had claimed ineligible costs and that improvements were needed in accounting for project costs and asset management.

FWS Region 7 responded to a draft of this report on May 13, 2004, and included the Department's April 28, 2004 response to the draft. We have added the responses after our recommendations and summarized the status of the recommendations in Appendix 3.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written response by October 11, 2004, to the unimplemented recommendations included in this report. Your response should include information on actions taken or planned, including target dates and titles of officials responsible for implementation. If you have any questions regarding this report, please contact me at 703-487-5353 or Mr. K. Timothy Gallagher, Audit Team Leader, at 916-978-5657.

cc: Regional Director, Region 7  
U.S. Fish and Wildlife Service

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# Introduction

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## Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> authorize FWS to provide Federal Assistance grants to the states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of all eligible costs incurred under the grants. They also specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state fish and game agency.

## Scope, Objective, and Methodology

We performed our audit at the Department's headquarters in Juneau, Alaska. We also visited several fish hatcheries and fish and wildlife areas (see Appendix 2). The objective of our audit was to evaluate:

- the adequacy of the Department's accounting system and related internal controls;
- the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS;
- the adequacy and reliability of the Department's hunting and fishing license fees collection and disbursement process;
- the adequacy of the Department's asset management system and related internal controls with regard to purchasing, control and disposal; and
- the adequacy of the Department's compliance with the Acts' assent legislation requirements.

The audit also included a review of other issues considered sensitive and/or significant by FWS. We relied on the work of the State of Alaska Single Audit Report auditors to the extent possible in order to avoid a duplication of audit effort. The audit work at the Department included claims totaling approximately \$49.9 million on FWS grants that were open during the State's fiscal years ended June 30, 2001, and 2002 (see Appendix 1).

We performed our audit in accordance with the government auditing standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that we considered necessary under the circumstances. Our tests included an examination of evidence supporting selected expenditures charged by the Department to the grants; interviews with employees to ensure that all personnel costs charged to the grants were supportable; and a review of the Department's use of fishing and hunting license revenues to determine whether the revenues had been used for program purposes. We did not evaluate the economy, efficiency, and effectiveness of the Department's operations.

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<sup>1</sup> As amended, 16 USC 669 and 16 USC 777, respectively.

## **Prior Audit Coverage**

On November 6, 1998, we issued audit report No. 99-E-80, “Audit of U.S. Fish and Wildlife Service Federal Aid Grants to the State of Alaska, Department of Fish and Game, for Fiscal Years ended June 30, 1995 and 1996.” We reviewed this report and followed up on all findings to determine whether they had been resolved prior to our review. We included the prior audit finding related to the disposition of assets in our overall finding on asset management because the issue had not been adequately resolved. The State of Alaska Single Audit Reports contained no findings or recommendations that affected the activities or accounting of the Department.

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## Results of Audit

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Our audit disclosed that:

- except for the project level accounting issue reported below, the Division's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements;
- the direct and indirect costs were accurately reported and claimed;
- except for the asset management issue discussed below, the asset management system accurately identified and tracked personal and real property with regard to acquisition, control and disposal; and
- the State also had adequate legislation that assented to the provisions of the Acts and prohibited the use of license fees for anything other than the administration of the Department.

However, we found that:

- A. Costs of \$13,006 were questioned because they were ineligible.
- B. The Department's reported costs at the project level were not accurate.
- C. The Department's asset management system did not identify purchases with license fee funds.

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### A. Questioned Costs

**1. Profit Used as Match.** Under Grant No. F-13-D-47, the Department entered into a subgrant with the Igiugig Village Corporation to construct an access to the Kvichak River. The Igiugig Village claimed, as part of its total subgrant costs, \$8,087 of profit paid to its contracting company. Under 43 CFR § 12.62 (a), allowable costs grant funds may be used for the allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and reasonable fees or profit to cost-type contractors but not any fee or profit to the grantee or subgrantee. The contracting company is considered a component unit of the Igiugig Village Corporation and would not be eligible for any fee or profit. The Department did not have procedures in place to determine the allowability of the costs charged by local governments. As a result, costs of Grant F-13-D-47 were overstated by \$8,087.

### Recommendations

We recommend that the FWS:

- a. Resolve the \$8,087 of profit claimed under Grant No. F-13-D-47.

- b.** Require the Department to implement policies and procedures to determine the allowability of grant costs incurred by local governments under subgrants to ensure that such funds meet the requirements of 43CFR 12.62(a).

### **Department Response**

After reviewing documentation supporting the reimbursement claims, the Department concluded that profit was not paid to the Village or its component units. The Department also stated that existing policies and procedures coupled with individual reinforcement conducted upon identification of the audit finding provides reasonable assurance that such an error will not occur again.

### **FWS Response**

The FWS agreed with the finding. FWS added that they need more information from the Department including sub-grantee records that showed that profit was not included in the contract price charged to the project. The FWS will also review the Department's current policies and procedures

### **OIG Comments**

We consider the responses sufficient to consider this matter resolved but the recommendations not implemented. FWS should identify target dates and an official responsible for implementation of each recommendation.

**2. Out of Period Costs.** The Department claimed costs of \$3,077, under Grant No. F-32-11, for utility service at the Fort Richardson Hatchery for July 2002 even though the funding period for this grant was July 1, 2001, through June 30, 2002. Under 43 CFR 12.63(a), "Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period..." The Department did not have procedures in place to ensure that costs claimed for reimbursement were only those costs incurred within the grant period. As a result, the costs charged to Grant F-32-11 were overstated by \$3,077 and the costs charged to the subsequent grant (F-32-12) were understated by \$3,077.

### **Recommendations**

We recommend that the FWS:

- a.** Resolve the \$3,077 of out of period costs claimed under Grant No. F-32-11.
- b.** Require the Department to implement policies and procedures to allocate costs to the proper grant.

## **Department Response**

The Department acknowledged that utility costs for July 2002 were charged to F-32-11. The Department stated that it has had a long-standing formal policy that permitted such invoices to be paid from a single year appropriation. The policy authorized such expenditures as long as each fiscal year paid no more than 12 months of services. The Department also questioned if any substantive benefit could be gained from a requirement to prorate only the invoices funded with Federal grants that would require the Department to maintain two separate invoice payment processes. The Department requested that FWS allow the Department to maintain their existing practice which complied with their long standing policy.

## **FWS Response**

The FWS concurred with the finding and noted that the Department's policy contradicted 43 CFR 12.63(a). The FWS will require the Department to change how grant costs are reported.

## **OIG Comments**

We consider the responses sufficient to consider this matter resolved but not implemented. FWS should identify target dates and an official responsible for implementation of each recommendation.

**3. Claimed Costs.** The Department claimed \$1,842 more than the total actual costs recorded for Grant No. F-31-13 due to a posting error.

## **Recommendation**

We recommend that the FWS resolve the \$1,842 in excess costs claimed under Grant No. F-31-13.

## **Department Response**

The Department provided an explanation for the error and requested that the cost recovery occur on the new grant.

## **FWS Response**

The FWS agreed with the finding. The FWS received documentation that the credit was posted in the State's accounting system but will require the Department to provide the details of the credited costs in the cash drawdown.

## **OIG Comments**

We consider the response sufficient to consider this matter resolved but not implemented. FWS should identify a target date and an official responsible for implementation of the recommendation.

## **B. Project Level Accounting**

The Department's project costs reported to FWS are not an accurate representation of a project's total costs. FWS required project level accounting for the major fish and wildlife grants provided to the Department. As such, the Department must account for costs in a manner that enables grant administrators to compare actual project costs to budgeted project amounts contained in the grant agreement as required by 43 CFR 12.60. During our site visits, we found that supervisors did not charge time to projects under their direct supervision even though time was spent on the projects; an employee charged time based on the project's budgeted project time, and project costs records were adjusted in the Department's internal system but not in official state accounting system. As a result, FWS cannot rely on the reported project costs.

## **Recommendations**

We recommend that the FWS:

1. Require the Department to train staff on the requirements of accurately reporting and recording time charges.
2. Require that all changes to subsidiary cost records be reflected in the State's accounting system.

## **Department Response**

The Department will further emphasize through formal training the importance of accurate time accounting. The Department will formalize existing policy, which requires the internal system to be reconciled with the State accounting system. Further, the Department will reiterate existing policy that the State accounting system represents the official accounting records for the Department.

## **FWS Response**

The FWS agreed with the finding and the Department's response and recognized the difficulty of obtaining 100 percent accuracy in recording employee time. The FWS suggested more frequent training on timesheet reporting and recommended that time sheet training be incorporated in the service division's annual workshops. The FWS acknowledged the Department's efforts to formalize the policy on reconciling the systems. FWS will require a copy of the policy when implemented.



## **OIG Comments**

We consider the response sufficient to consider this matter resolved but not implemented. FWS should identify target dates and an official responsible for implementation of each recommendation.

### **C. Asset Management**

The Department's asset management system did not identify assets purchased with license fee funds. In addition, the Department did not have a policy for the disposal of assets purchased with license fees or Federal Assistance funds. In accordance with 50 CFR § 80.4, revenues from license fees paid by hunters and fishermen cannot be diverted to any purpose other than the administration of the fish and wildlife agency. The revenues include fees from hunting and fishing license sales and income from personal property acquired or produced with license revenues. As such, and in our opinion, assets purchased with license revenues are limited to use for fish and wildlife, with any revenues from sale or disposal limited to funding only fish and wildlife activities. Similarly, those assets acquired with Federal Assistance can only be used for purposes originally acquired throughout their useful life in accordance with 50 CFR § 80.18(c).

While we did not identify any diversion of use of property acquired with license revenues, a diversion could occur if such property were transferred to a use not related to fish or wildlife. A diversion of funds could also occur if the proceeds from the disposal of assets were improperly credited to a fund other than the license fee fund. Since the Department did not have a procedure in place requiring the identification of assets purchased with license fee funds, we have no assurance that assets are controlled adequately to prevent such a diversion. In addition, the Department cannot assure that property bought with Federal Assistance funds was being used for the purposes for which it was originally acquired.

## **Recommendations**

We recommend that the FWS require the Department to:

1. Develop an asset management system that identifies those assets purchased with license revenues and Federal Assistance funds.
2. Incorporate disposal procedures identified in 50 CFR for assets purchased with license fee funds or Federal assistance funds in its asset management policies and procedures.

## **Department Response**

The Department adopted a procedure whereby assets purchased with licensing receipts must be recorded accordingly on the inventory tracking system. The Department will incorporate written procedures to ensure assets with a salvage value in excess of disposal costs are remitted to the Department for the subsequent benefit of the Department.

### **FWS Response**

The FWS agreed with the finding. The FWS will review the Department's procedures on the recording of assets purchased with license revenues. The FWS will require a copy of the Department's disposal procedure when finalized.

### **OIG Comments**

We consider the responses sufficient to consider this matter resolved but the recommendations not implemented. FWS should identify target dates and an official responsible for implementation of each recommendation.

## ALASKA DEPARTMENT OF FISH AND GAME FINANCIAL SUMMARY OF REVIEW COVERAGE

Grant Number	Grant Amount	Claimed Costs*	Questioned Costs**	
			Total	Federal Share
F-10-16	\$9,526,432	\$9,596,323		
F-10-17	9,696,350	9,474,635		
F-13-C-10	425,000	425,501		
F-13-C-11	415,414	389,056		
F-13-D-101	200,000	158,636		
F-13-D-54	560,000	18,339		
F-13-D-56	660,000	402,065		
F-13-D-58	200,000	9,972		
F-13-D-66	33,334	25,000		
F-13-D-68	210,000	12,928		
F-13-D-74	400,000	287,968		
F-13-D-75	105,000	21,748		
F-13-D-77	110,000	20,206		
F-13-D-78	88,000	38,000		
F-13-D-80	2,000,000	2,585		
F-13-D-83	90,000	90,000		
F-13-D-84	44,000	38,680		
F-13-D-85	25,000	265		
F-13-D-87	100,000	97,497		
F-13-D-89	40,000	28,500		
F-13-D-90	75,000	71,908		
F-13-D-91	50,000	28,418		
F-13-D-92	900,000	514,562		
F-13-D-93	90,000	14,367		
F-13-D-95	175,000	149,801		
F-13-D-96	90,000	7,202		
F-13-D-97	150,000	11,913		

\*The amount includes the Department recorded amounts during the audit period. The amounts do not include Department's share of the indirect costs billed as grant costs.

\*\*The questioned costs for Grant F-13-D-48 are not included in this schedule because the Department did not have claimed costs during the period.

Grant Number	Grant Amount	Claimed Costs*	Questioned Costs**	
			Total	Federal Share
F-13-D-98	132,000	8,834		
F-13-D-99	40,000	250		
F-13-M-26	397,500	285,527		
F-13-M-27	232,400	188,606		
F-13-M-28	364,746	362,151		
F-13-M-29	230,232	193,717		
F-31-12	405,132	422,077		
F-31-13	396,440	379,457	\$1,842	\$1,382
F-32-10	2,811,332	2,816,548		
F-32-11	2,795,432	2,648,730	3,077	2,308
F-36-D-1	170,200	16,250		
FW-1-HP-4	226,134	162,572		
FW-1-HP-5	138,507	103,092		
W-27-4	8,332,534	9,986,480		
W-27-5	9,342,150	9,893,300		
W-29-D-1	2,500,000	53,850		
W-30-D-1	110,000	9,415		
W-31-D-1	1,500,000	234,697		
W-31-HS-3	76,300	44,919		
W-31-HS-4	117,725	193,969		
W-32-E-1	100,000	14,326		
	\$56,877,294	\$49,954,842	\$4,919	\$3,690

## **ALASKA DEPARTMENT OF FISH AND GAME SCHEDULE OF SITES VISITED**

### **Regional Offices:**

Anchorage  
Fairbanks

### **Field/Area Offices:**

Palmer  
Soldotna  
Delta Junction

### **Boating Access Sites:**

Cooper Landing  
Sportsmen's Lodge

### **Hatcheries:**

Elmendorf Hatchery  
Fort Richardson Hatchery

**ALASKA DEPARTMENT OF FISH AND GAME  
STATUS OF AUDIT FINDINGS  
AND RECOMMENDATIONS**

<b>Recommendation</b>	<b>Status</b>	<b>Action Required</b>
A.1.a, A.1.b, A.2.a, A.2.b, A.3, B.1, B.2, C.1, and C.2	Findings resolved and Recommendations Unimplemented.	Provide a corrective action plan that includes the target date and the official responsible for implementation of each recommendation or an alternative solution. The unimplemented recommendations remaining at the end of 90 days (after October 11, 2004) will be referred to the Assistant Secretary of PMB for resolution and/or tracking of implementation.

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