



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
Connecticut, Department of
Environmental Protection,
Bureau of Natural Resources,
from July 1, 2000, through
June 30, 2002**

Report No. R-GR-FWS-0019-2003

May 2004



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, VA 20191

May 6, 2004

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 Connecticut, Department of Environmental Protection, Bureau of Natural Resources, from July 1, 2000, through June 30, 2002 (No. R-GR-FWS-0019-2003)

This report presents the results of our audit of costs incurred by the State of Connecticut, Department of Environmental Protection, Bureau of Natural Resources (Bureau), 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 Bureau did not all report program income, and improvements are needed in the Division's annual license certifications and asset management.

The Bureau and FWS Region 5 responded to a draft of this report on March 24, 2004. We modified the findings and recommendations as necessary to incorporate additional information provided and to clarify the report. 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 August 6, 2004, to the unresolved and 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 or Mr. Owen Nicholson, Audit Team Leader, at 703-487-5345.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

INTRODUCTION

Background and Scope

The Pittman-Robertson Wildlife Restoration Act, as amended (16 U.S.C. 669), and the Dingell-Johnson Sport Fish Restoration Act, as amended (16 U.S.C. 777) (the Acts), authorize FWS to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. The Acts specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state's fish and game agencies.

We performed an audit of Federal Assistance grants to the State of Connecticut as requested by FWS. The objective of our audit was to evaluate: (1) the adequacy of the Bureau's accounting system and related internal controls; (2) the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS; (3) the adequacy and reliability of the Bureau's hunting and fishing license fee collection and disbursement process; (4) the adequacy of the Bureau's asset management system and related internal controls with regard to purchasing, control and disposal; and (5) the adequacy of the State's compliance with the Acts' assent legislation requirements. The audit also included an analysis of other issues considered sensitive and/or significant by FWS. The audit work at the Bureau included claims that totaled approximately \$20 million on FWS grants that were open during the State's fiscal years ended June 30, 2001, and 2002 (see Appendix 1).

Our audit was performed in accordance with 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. We relied on the work of the State of Connecticut Single Audit Report auditors to the extent possible in order to avoid a duplication of audit effort. Our tests included an examination of evidence supporting selected expenditures charged by the Bureau to the grants; interviews with employees to ensure that personnel costs charged to the grants were supportable; and a review of the Bureau'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 Bureau's operations.

Our audit was performed at the Connecticut Bureau of Natural Resources headquarters in Hartford, Connecticut. We also visited several headquarters offices, wildlife management areas and boat ramps (see Appendix 2).

**Prior Audit
Coverage**

On October 30, 1996, we issued audit report No. 97-E-100, "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Grants to the State of Connecticut, Fiscal Years 1994 and 1995."

We reviewed this report and followed up on all significant findings to determine whether they had been resolved prior to our review. We determined that all findings had been resolved.

RESULTS OF AUDIT

Summary

Except for the issues identified below, the Bureau's accounting system accurately accumulated grant expenditures; the direct and indirect costs were accurately reported; license fee receipts and disbursements were used for fish and wildlife purposes; and the hunting and fishing license certifications accurately reported license holders. 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 Bureau.

We found that the Bureau:

- ♦ Did not report program income of \$240,277.
- ♦ Needed to make improvements in the annual license certifications and in its asset management.

A. Program Income

The Bureau earned \$240,277 in revenues generated on wildlife management areas receiving Federal Assistance funds for operation and maintenance. Sources of the revenue, earned in State fiscal years (SFY) 2001 and 2002, were timber sales that were not identified as program income in Grants W-61-D-5, W-61-D-6, and W-61-D-7 or reported on the respective Financial Status Reports, SF-269s.

Wildlife Management Area	SFY 2001	SFY 2002	Total
Franklin	\$25,760		\$25,760
Babcock Pond	32,875		32,875
Little River	2,200		2,200
Sessions Woods	17,702		17,702
Roraback	85,235		85,235
Kollar		\$6,400	6,400
Bishop Swamp		51,922	51,922
Messerschmidt Pond		18,183	18,183
Totals	\$163,772	\$76,505	\$240,277

According to 43 CFR § 12.65, program income is gross income received by a grantee directly generated by a grant-supported activity. Program income should be deducted from total grant costs to determine net costs on which the grantor's share will be based, or

added to the project funds to further eligible program objectives. In addition, the grant agreement should identify the estimated amounts, sources, and method of accounting for the program income.

The Bureau followed FWS Region 5 guidance which viewed timber sales as transfers of real property and, as such, required that proceeds from timber sales be used only for the administration of the fish and game agency. The Bureau was unaware of requirements regarding program income earned on wildlife management areas receiving Federal Assistance funds for operation and maintenance.

Recommendations

We recommend that FWS:

1. Resolve the issue of the unreported program income of \$240,277.
2. Provide guidance to Bureau staff to ensure proper reporting of program income in future grants.

**Bureau
Response**

The Bureau did not concur with the finding, stating that it strictly adhered to guidance from the FWS Regional Office regarding timber sales on Federal Assistance lands which indicated that unless there was an open land acquisition grant, timber sales were not to be treated as program income. Thus, program income from timber sales on Wildlife Management Areas receiving Federal Assistance funds for operation and maintenance was not reported. The Bureau welcomed FWS guidance to ensure proper reporting in the future.

**FWS
Response**

FWS did not comment on the finding and recommendations.

**OIG
Comments**

FWS should address the finding and recommendations in the corrective action plan. In addition, the FWS Regional Office should clarify that program income can be derived from any wildlife management area or other land no matter what funding was used for its acquisition. The factor used to determine if it should be reported is whether the Bureau received an operation and maintenance grant for the property.

**B. Annual
License
Certifications**

The Bureau completed and submitted annual License Certifications for license years 2001 and 2002 to the FWS Division of Federal Assistance. However, the Bureau did not account for and eliminate potential duplicate non-resident license holders.

According to 50 CFR § 80.10(c)(5) the state fish and wildlife director, in certifying license information to the Director of FWS, is responsible for eliminating duplication or multiple counting of single individuals in the figures certified. However, the individual who completed the license certifications was not aware of the requirement to eliminate duplicate license holders from annual license certifications.

Since duplicate licenses holders were not eliminated, the number of licenses certified in license years 2000 and 2001 may be inaccurate.

Recommendation We recommend that FWS require the Bureau to eliminate duplicate license holders from its annual license certifications.

Bureau Response The Bureau concurred with the finding and stated that the certification included persons who purchased more than one 3-day fishing license per year. However, since the State received the minimum apportionment, there was no impact on the apportionment. To comply with the requirements, the duplicate licenses will be eliminated from future annual certifications.

FWS Response FWS did not comment on the finding and recommendation.

OIG Comments We consider the Bureau's action to be appropriate. FWS should address the finding and recommendation in the corrective action plan.

C. Asset Management – Personal Property

The Department of Environmental Protection's Bureau of Financial and Support Services (Support Services) was responsible for maintaining the inventory database for all personal property¹ for the entire Department, including the Bureau of Natural Resources. We found that the inventory database did not always identify the funding source for property and contained inaccurate data. In addition, some items were not tagged.

A State Identification (SID) number² was used to distinguish the source of funds used to acquire personal property. However, 1,287 items (valued at \$1,122,046) of the 2,948 items (valued at \$5,429,164) of the personal property for the Bureau's Inland

¹Personal property is defined as capitalized equipment (valued at or cost of \$1,000 or more), and controllable equipment (items that are considered susceptible to being appropriated for personal use or which can easily be converted to cash).

²The SID number for Federal Assistance funds is by grant.

Fisheries, Marine Fisheries and Wildlife Divisions, did not have an SID number in the inventory database.

We also found that the inventory of 2,948 items (valued at \$5,429,164) for the Inland Fisheries, Marine Fisheries and Wildlife Divisions, listed 892 items (valued at \$705,760) as lost/unfound. To determine whether personal property items existed, were in usable condition and properly tagged, we performed on-site visits at four sites.³ Of the 899 items (valued at \$1,878,008) listed on the inventory as located at those sites, we selected a sample of 194 items (valued at \$541,995) for review. Of the 194 items, we could not find 25 items (valued at \$124,849) at the location indicated on the inventory (17 of these items, valued at \$24,676, were acquired with Federal Assistance funds). In addition to the items sampled, we found:

- 29 items, valued at \$47,463, at locations different than indicated in the inventory
- 23 items that we could not identify in any of the inventory records (including the “lost/unfound” list)
- 9 items, valued at \$8,263, that inventory records indicated were “lost/unfound”
- 11 items that did not have property tags

A Departmental Directive, dated April 2, 1998, required that personal property be placed on the Agency Inventory System, and numbered for control purposes; an Equipment Inventory Change Request Form⁴ be completed to document additions, deletions, corrections, and between bureau transfers;⁵ and physical inventories be taken annually and adjustments made to the inventory records based on the results of the inventory. The State’s Property Control Manual required that the SID number and source of funds be identified in the State’s property records for all State-owned personal property and that complete inventory records be maintained, properly tagged, and physical inventories taken on an annual basis.

In addition, Federal Assistance property must be used only for Federal Assistance activities and must be identified and controlled in order to properly manage the property in accordance with the requirements in 50 CFR § 80.18. Property purchased with license revenues should be used only for the administration of the State’s

³Session Woods, Western District HQ, Litchfield HQ, and Marine HQ.

⁴A Record of Equipment on Loan form should be used for property loaned between locations.

⁵The Equipment Inventory Change Request Form may also be used for transfers within the Bureau and to identify any additions found at a site.

fish and game agency as required by 50 CFR 80.4. The State also must maintain current and complete property records in accordance with requirements contained in the Federal Assistance Manual and OMB Circular A-102 (50 CFR 80.19).

Support Services officials could not explain the lack of SID numbers in the database. The inventory records were inaccurate because they were not updated to reflect the results of the annual physical inventories and/or due to undocumented transfers or loans. While most employees were aware of the proper forms to be completed for transfers or loans of property, no completed forms were provided for the items in question. As a result, the Bureau did not have effective control over its personal property and may not be able to ensure easily and in a timely manner that assets purchased with Federal Assistance funds were utilized solely for fish and wildlife purposes. The reason the items did not have property tags is unknown, but we believe that either the tags fell off or the item was not tagged upon receipt.

Recommendations

We recommend that FWS require the Bureau to:

1. Account for and control Federal Assistance property in a manner to assure that it is used for the purpose for which it was acquired.
2. Follow its operational requirements for the management and control of property acquired with Federal Assistance and license fee funds by updating the personal property records, determining the status of items that could not be found during our site visits, and tagging personal property that we found without tags during our site visits.

Bureau Response

The Bureau concurred that not all assets were identified by funding source, adding that most of such items were listed with zero acquisition cost and were donations, contributions, or transfers. The inventory will be reviewed to ensure that all assets with a procurement cost will have the appropriate funding source identified. The Bureau also agreed that personal property records were inaccurate but added that there may have been a misunderstanding of the location description and many of the items not at the location indicated in the inventory records may have been at the correct location. The Bureau will instruct field staff to document all property transfers and remind staff of the importance of following the asset management documentation procedures.

The Bureau also indicated that serial numbers may be used in lieu of tags for some items.

**FWS
Response**

FWS did not comment on the finding and recommendations.

**OIG
Comments**

The Bureau's action is appropriate. We agree that serial numbers may be used in lieu of tags for some items. FWS should address the finding and recommendations in the corrective action plan.

**D. Asset
Management –
Real Property**

The Bureau did not have accurate property control records for real property acquired with Federal Assistance funds. As part of our review of asset management, we requested the Bureau provide an inventory listing of real property purchased with Federal Assistance funds (the State did not use license revenues to acquire real property) . We were provided with two inventory listings of real property, one of which was apparently prepared by staff of FWS Region 5. The two listings were inconsistent as to properties listed and land acreage. We asked how the funding source could be determined and were told that the information was only contained in the Bureau's Federal Assistance land files; title deeds did not document the funding source.

We reviewed the land files for two properties and found a third land acreage for each one. Finally, we reviewed the acreages recorded for the two properties in the Deed Book, which summarized deed information, and found a fourth land acreage. The results of our review are shown below.

	<u>Wangunk Meadows</u>	<u>Lebanon Hunting Area</u>
Land Inventory prepared by FWS	494.00	157.60
Land Inventory prepared by the Bureau	466.38	621.40
Bureau's Land Files	971.00	355.00
Land Deed Book	627.13	683.59

The State's Property Control Manual, dated September 2001, requires that the reporting form CO-59, listing all property (real and personal) owned by an Agency be reported to the Office of the State Comptroller annually. In addition, the State must maintain property control records for all State-owned land. These records must contain certain data which includes: date of acquisition, location, acreage, source of funds, and a State Identification number.⁶ In addition,

⁶The State Identification number for property acquired with Federal Assistance funds is by grant.

according to 50 CFR § 80.19, the Bureau must maintain current and complete property records in accordance with requirements contained in the Service Manual and OMB Circular A-102. The Bureau is also responsible for the accountability and control of all assets acquired with Federal Assistance funds to ensure that they serve the purpose for which acquired throughout their useful life, in accordance with 50 CFR § 80.18.

The Bureau indicated that it did not have accurate real property records because it did not have enough staff to maintain the real property records. As a result, the Bureau did not have effective control over its land and may not be able to easily and timely ensure that assets purchased with Federal Assistance funds are utilized solely for fish and wildlife purposes.

Recommendation

We recommend that FWS require the Bureau to update its land inventory records.

**Bureau
Response**

The Bureau concurred with the finding, stating that it will review the finding in greater detail and review agency records to verify the appropriate source documents for property verification.

**FWS
Response**

FWS did not comment on the finding and recommendation.

**OIG
Comments**

The Bureau's action is appropriate. FWS should address the finding and recommendation in the corrective action plan.

**CONNECTICUT BUREAU OF NATURAL RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Grant Amount	Claimed Costs
F-50-D-21	\$552,967	\$486,668
F-50-D-22	577,152	603,508
F-50-D-23	636,972	651,519
F-54-R-20	578,700	707,676
F-54-R-21	575,181	664,629
F-54-R-22	593,484	657,105
F-57-R-19	1,365,621	1,335,536
F-57-R-20	1,303,786	1,382,393
F-57-R-21	1,400,667	1,469,908
F-60-D-11	-0-	-0-
F-60-D-12	254,500	251,690
F-60-D-13	82,000	128,954
F-61-T-14	422,469	421,201
F-61-T-15	357,616	501,831
F-61-T-16	374,191	492,000
F-64-E-12	324,588	337,294
F-64-E-13	370,117	356,696
F-64-E-14	447,125	407,855
F-69-D-5	277,448	305,964
F-69-D-6	339,433	345,296
F-70-D-4	353,056	303,412
F-70-D-5	288,878	383,392
F-100-R-17	6,667	15,313
F-100-R-18	6,667	6,822
F-100-R-19	6,667	8,659
FW-1-C-5	261,148	307,948
FW-1-C-6	249,343	326,095

Grant Number	Grant Amount	Claimed Costs
FW-1-C-7	268,625	323,486
W-36-R-35	6,500	6,500
W-36-R-36	6,500	6,500
W-36-R-37	6,500	6,500
W-49-R-25	586,076	665,663
W-49-R-26	658,302	752,366
W-49-R-27	524,861	678,450
W-54-T-20	320,733	494,257
W-54-T-21	334,029	516,851
W-54-T-22	197,260	308,947
W-57-S-19	530,847	464,519
W-57-S-20	667,782	644,494
W-57-S-21	657,402	842,161
W-61-D-5	382,326	379,216
W-61-D-6	363,331	369,153
W-61-D-7	390,744	411,542
W-62-R-4	1,635	1,635
W-62-R-5	3,168	3,168
W-62-R-6	4,489	4,489
W-63-O-1	248,305	230,691
Totals	\$18,165,858	\$19,969,952

**CONNECTICUT BUREAU OF NATURAL RESOURCES
SITES VISITED**

Headquarters:

Hartford
Western District
Marine
Litchfield

Wildlife Management Areas:

Sessions Woods
Babcock Pond
Bartlett Brook
Franklin
Bear Hill

Boat Launch Sites:

Pickeral Lake
Lower Moodus Reservoir
Upper Moodus Reservoir
Salmon River
Haddam Meadows
Cedar Lake

**CONNECTICUT BUREAU OF NATURAL RESOURCES
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
A.1, A.2, B, C.1, C.2, and D	Finding unresolved and Recommendation Unimplemented.	Provide a response to the recommendation that states concurrence or non-concurrence. Provide a corrective action plan that includes the target date and the official responsible for implementation of the recommendation or an alternative solution. Unresolved findings and unimplemented recommendations remaining at the end of 90 days (after August 6, 2004) will be referred to the Assistant Secretary of PMB for resolution and/or tracking of implementation.

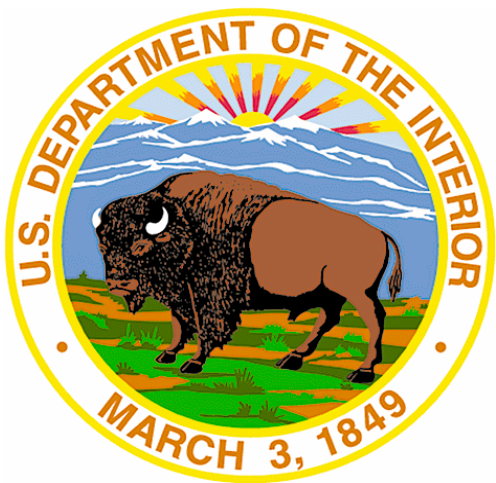
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