



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
Utah, Department of Natural
Resources, Division of Wildlife
Resources, from July 1, 2001,
through
June 30, 2003**

Report No. R-GR-FWS-0028-2003

July 2004



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

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Reston, VA 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 Utah, Department of Natural Resources, Division of Wildlife Resources, from July 1, 2001, through June 30, 2003
(No. R-GR-FWS-0028-2003)

This report presents the results of our audit of Federal Assistance grants to the State of Utah, Department of Natural Resources, Division of Wildlife Resources (Division), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims totaling approximately \$25.2 million on FWS grants that were open and \$44 million in license fees collected and expended during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1).

We found that the Utah Division of Wildlife Resources (Division):

- did not inform FWS of its inventory of unused chemicals purchased from a prior grant,
- did not have a complete inventory of Division properties,
- charged unallowable work to a fisheries grant,
- did not have a current and complete inventory listing of lands that identified the sources of acquisition funding, and
- did not comply with requirements to encourage small, women-owned and minority-owned businesses to submit proposals for materials and services.

The Division and FWS responded to a draft of this report on May 18, 2004. We considered the responses and, as a result, made changes to clarify issues and correct inaccuracies. We summarized the Division's and the FWS' responses after our recommendations. We also added our comments regarding what changes we made as a result of the responses.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written response to the recommendations included in this report by October 11, 2004. 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) 487-5345 or Mr. Tom Nadsady, Audit Team Leader, at (916) 212-4164.

cc: Regional Director, Region 6
U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts) ¹ 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. They also 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.

Scope, Objective, and Methodology

We performed our audit at the Utah Division of Wildlife Resources (Division) headquarters in Salt Lake City, Utah. We also visited the Egan and Springville hatcheries, several regional offices, waterfowl management areas, and the Lee Kay Center for Hunter Education (see Appendix 2). The objective of our audit was to evaluate:

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

The audit also included an analysis of other issues considered sensitive and/or significant by FWS. We relied on the work of other auditors, including the work of the Utah Single Audit Report auditors, to the extent possible, to avoid a duplication of effort. We did not evaluate the economy, efficiency, and effectiveness of the Division's operations.

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, including a review of other issues considered sensitive and/or significant by the FWS. Our tests included an examination of evidence supporting selected expenditures charged by the Division to the grants, interviews with employees to ensure that all personnel costs charged to the grants were allowable, and a review of the Division's use of fishing and hunting license revenues to determine whether the revenues had been used for program purposes.

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

Prior Audit Coverage

In November 1998, we issued audit report No. 99-E-76, “Audit of U.S. Fish and Wildlife Service Federal Aid Grants to the State of Utah Department of Natural Resources, Division of Wildlife Resources for the Fiscal Years Ended June 30, 1995, and 1996.” In addition, the Utah State Auditor’s Office issued eight audit reports and three management letters during the last 5 years on internal controls, the administration of Federal programs, and other aspects of the Department of Natural Resources.

We reviewed these reports and followed up on all significant findings to determine whether they had been resolved prior to our review. We concluded that three findings from our 1998 report had not been addressed satisfactorily and included them in this report: the charging of payroll costs, the land inventory system, and the promotion of minority and women owned businesses in requests for proposals.

Results of Audit

Our audit disclosed that:

- the Division's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements;
- direct and indirect costs claimed under the Federal Assistance grants agreements with FWS were adequately recorded and supported;
- the asset management system accurately identified and tracked personal and real property with regard to acquisition, maintenance, control, and disposal, except for the issues identified in findings A, B, D, and E below; and
- the State had adequate assent legislation.

However, we found that:

- A. The Division did not know that it had 169 barrels of rotenone on hand valued in excess of \$60,000. The rotenone was not needed for its intended use, the chemical treatment of Otter Creek for unwanted species.
- B. Buildings were omitted from the fixed asset list, custodial assignments of property were not current, and all personal property was not correctly tagged as either State funded or Federal Assistance funded.
- C. A sport fish supervisor's salary and benefits were charged to a fish management grant while he was working on unallowable activities.
- D. The Division had not implemented a prior audit recommendation to maintain a single complete inventory system that could identify the Federal grantor agency's equity in real estate purchased with Federal Assistance funds.
- E. The Division had not implemented a prior audit recommendation concerning the promotion of small, women-owned and minority-owned businesses in requests for proposals.

A. Chemicals

We found that the Division had a considerable amount of rotenone, purchased with Dingell-Johnson Sport Fish Restoration Act and State license funds, on hand for which it had not notified the FWS. Rotenone was purchased under Grant No. F-70-D-2 in Calendar Year 2000 in order to chemically kill all fish in Otter Creek Reservoir. We found 152 barrels of rotenone powder at the time of the audit, with an estimated value of \$60,000. The Division later performed an inventory and found 169 barrels of rotenone on hand. Division officials had informed FWS about the reservoir draining as the reason they did not consume the rotenone at the completion of the grant, and that it would be used on future approved projects. However, they did not have any records to support the unused quantities in storage, which we believed were material in cost and posed a potential risk to animals and a potential risk of liability to the Division due to the possibility of misuse or mishandling.

The Code of Federal Regulation at 43 CFR § 12.73(b) states “If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or subgrantee shall compensate the awarding agency for its share.”

Recommendation

We recommend that the FWS determine whether the supply of rotenone is needed for any other Federally sponsored programs or projects; and, if not, direct the Division to eliminate the inventory of rotenone and either reimburse the FWS for its share of the proceeds or charge the FWS for its share of the costs of its disposal.

Division Response

The Division disagreed with the finding as presented in the draft audit report. However, it confirmed the rotenone is needed for future Federally sponsored programs or projects, and provided a schedule to show total rotenone quantities purchased, amount used to date and remaining balance in storage. The Division stated the rotenone inventory is located in a locked storage area and poses no risk to misuse or mishandling.

FWS Response

The FWS concurred with the finding and the Division response and suggested this finding be deleted from the report.

Office of Inspector General Comments

We consider the Division’s actions to locate all rotenone and properly account for it as a proper first step. The Division has a material amount (\$60,000) of supplies that must be used on Federally sponsored projects or sold and their value reimbursed to the grant. The next step requires a plan to use the chemical in a reasonable amount of time on proper, approved projects, or the sale of the chemical and the crediting of the proceeds to the grant. The Division and the FWS should reconsider their responses and provide a plan for using the rotenone in a reasonable period or the Division should sell its rotenone inventory and credit the proceeds from the sale to Grant F-70-D-2. We consider the finding unresolved and the recommendation unimplemented.

B. Asset Management

We found that the Division did not adequately manage personal and real property. We found the following issues at locations we visited:

- Eleven buildings at the Ogden Bay Waterfowl Management Area, acquired with license funds, were not on the State fixed asset inventory listing.

- Backpack mounted, electro-fishing devices assigned to the Northeast and Central regional offices were switched on the asset inventory listing.
- No reassignment of fixed assets and personal property took place from the manager who retired on Jan. 3, 2003, to the current manager at Springville Hatchery. (Records were not available to determine whether the real property assets were purchased with Federal Assistance funds, but records indicated that all of the personal property assets were purchased with Federal Assistance funds.)
- No reassignment of personal property assigned to a biologist took place before or after he was transferred from the Northern Regional Office on October 12, 2002, to the Salt Lake Office. (The biologist was custodian for 56 items, all purchased with Federal Assistance funds.)
- There was no property tag on an electro-fishing boat located at the Central Regional Office. (The source of funds for the purchase was not known.)

The following Federal and State regulations provide guidance for the management of real and personal property:

- 43 CFR § 12.72 (b) states “A state will use, manage, and dispose of equipment acquired under a grant by the state in accordance with state laws and procedures.”
- State of Utah Financial Accounting Policies and Procedures Manual (FIACCT) 09-15.00 states “Assets purchased with federal funds and/or owned by the federal government entrusted to state agencies must be identified and safeguarded as federal property.”
- FIACCT 09-00.00 states “All fixed assets as defined by this policy are required to be inventoried by the owner agency a minimum of once every fiscal year.” And it defines fixed assets as “Assets acquired for use in operations which are not for resale or investment purposes and have a useful life greater than one year and cost \$5,000 or more.”
- FIACCT 09-16.02 states “Agencies should physically locate each fixed asset listed on the report and verify that the tag number on the asset agrees to the Fixed Asset Number on the report. Other information on the report such as custodian, location, description, etc., should also be verified.”

The errors and omissions listed above were the result of either Salt Lake City headquarters or field office personnel who did not adequately update their management information systems. Hatcheries’ assets were managed from headquarters. Accordingly, headquarters personnel should have updated the management information systems related to the hatchery inventory records.

Recommendations

We recommend that FWS require the Division to:

1. Determine which buildings warrant inclusion on the fixed asset inventory list and make sure that they are included on the list.
2. Ensure that all property is located in the same place as the assigned custodian.
3. Ensure that all personal property is correctly tagged and identified as either Federal Assistance, license fee, or other on the personal and real property inventories.

Division Response

The Division stated that it concurred with the finding as presented in the draft report. The Division stated it would add omitted items to the new state fixed asset system and update the assignable asset system for personal property.

FWS Response

The FWS stated that it would address the Division response in the corrective action plan.

Office of Inspector General Comments

We consider the Division's proposed action to be appropriate. FWS should address the finding and recommendation in the corrective action plan.

C. Payroll

The Division did not ensure that an aquatics program regional manager's salary and fringe benefits were reported in accordance with actual work performed. The manager charged a majority of his time to Grant No. F-44-R-23, Fish Management. However, we found that for a significant amount of his time (between 25 to 43 hours), he was working on non-fish management activities. These activities included working on a resume, a job application, and on endangered species activities during State fiscal year 2003.

OMB Circular A-87 Attachment A item C.3.a states "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such a cost objective in accordance with relative benefits received."

A similar finding was reported in the prior audit report. The Division agreed with the prior finding and took action to prevent its reoccurrence. Considering the size of the grant and that this was the only instance found, the questioned costs would not be material. However, it is a continuing issue, which indicates that the Division should continue to inform and monitor employee time charging practices.

Recommendation

We recommend that the FWS require the Division to inform its staff of prescribed time charging practices and continue to monitor the activities of staff and the proper recording of time charges.

Division Response

The Division concurred with the finding. The Division stated it regularly provides employees training on costs allowable to Federal Assistance grants and agreed to provide additional training efforts to the responsible employee and his supervisor to increase their awareness of eligible grant activities.

FWS Response

The FWS stated it would address the Division response in their corrective action plan.

Office of Inspector General Comments

We consider the Division's proposed action to be appropriate. FWS should address the finding and recommendation in the corrective action plan.

D. Land Inventory System

We found that the Division had not implemented the prior audit finding that stated "UDWR's [Utah Division of Wildlife Resources'] official real estate inventory system does not identify the Federal grantor agency's equity in real estate purchased with Federal Aid funds. UDWR's Federal Aid coordinator maintains a separate inventory system that identifies the Federal grantor agency, but not the level of Federal participation or program that provided the funding."

We expanded this finding because we found that the Division did not have a complete inventory of land that identified the sources of funding as Federal Assistance, license fees, or other. The Division had two lists of Federal Assistance property. We compared the lists. We found that the lists were not in agreement and neither one included recent acquisitions.

The State of Utah Financial Accounting Policies and Procedures Manual offers general guidelines for the management of fixed assets, as follows:

- FIACCT 09-16.00 item C states "Each agency will maintain an inventory control list on FINET Fixed Assets of all fixed assets that cost \$5,000 or more."
- FIACCT 09-15.00 states "Assets purchased with federal funds and/or owned by the federal government entrusted to state agencies must be identified and safeguarded as federal property."

Division officials stated that FINET, the State's accounting software, does not have the capability to manage the detail required for Federal Assistance purposes; so a separate database system is required.

The Division's response to this finding in the prior audit was that "Concerns expressed regarding the real estate inventory system do not accurately reflect the efforts of UDWR. The official real estate inventory database and the Coordinator's informal spreadsheet inventory both identify the Federal Aid grant and segment number applicable to the acquisition." The response continued to explain the purpose of the segment number and concluded with, "A revised official real estate inventory software program is now being developed which will explicitly state Sport Fish or Wildlife Restoration Program participation by percentage."

We found that the intended replacement system was not completed due to the departure of a key employee. The Division was in the process of building a new database system to integrate both existing systems and to bring one system up to date.

Recommendation

We recommend that the FWS monitor the development of the Division's new database system.

Division Response

The Division did not concur with part of this finding because it has a manual system which documents all land purchases and the source of funds for the purchase. This was the main issue of the prior audit report finding. However, the Division concurred that it needed to develop a single land inventory system that would account for all of its land purchases and identify the source of funding for each acquisition.

FWS Response

The FWS agreed with the Division and suggested this finding be deleted from the report.

Office of Inspector General Comments

As a result of the comments, we modified our recommendation from FWS requiring a new system to FWS monitoring the work that the Division is doing to build a new database system.

E. Small, Women-Owned and Minority Businesses

We found that the Division did not implement a prior audit finding concerning the promotion of small, women-owned and minority-owned businesses in requests for proposals.

48 CFR § 19.201 General policy (a) states that it is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small

business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns.

The Division agreed with the prior finding and planned to modify its procedures, but inadvertently failed to follow through on the corrective action.

Recommendation

We recommend that FWS work with the Division to enable it to solicit for the procurement of goods and services from small and women-owned businesses.

Division Response

The Division concurred with this finding. The Division stated it would coordinate corrective action with the State Division of Purchasing to add the appropriate language to future purchase requisitions.

FWS Response

The FWS stated it would address the Division response in their corrective action plan.

Office of Inspector General Comments

We consider the Division's proposed action to be appropriate. FWS should address the finding and recommendation in the corrective action plan.

**UTAH DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WILDLIFE RESOURCES
FINANCIAL SUMMARY OF REVIEW COVERAGE**

Grant Number	Budgeted Grant Amount	Incurred Costs
W-65-M-49	\$2,012,784	\$1,661,117
W-65-M-50	3,694,556	3,680,975
W-65-M-51	3,735,510	1,846,762
W-82-R-46	223,190	227,731
W-82-R-47	467,832	449,128
W-82-R-48	470,459	194,262
W-120-E-25	444,440	646,394
W-120-E-26	474,233	669,167
W-135-R-21	323,188	269,736
W-143-E-13	50,000	49,765
W-143-E-14	13,912	19,451
W-150-R-10	274,468	223,385
W-159-E-1	100,000	29,977
W-160-L-1	792,143	593,285
F-35-M-2	403,620	403,620
F-44-R-22	2,492,384	2,442,083
F-44-R-23	2,518,492	2,556,281
F-47-R-16	240,001	222,173
F-47-R-17	240,696	240,940
F-47-R-18	235,266	75,402
F-57-L-19	1,500,000	1,677,832
F-61-D-6	94,000	108,239
F-63-B-18	82,400	61,726
F-63-B-19	82,280	49,817
F-65-T-12	4,800	4,456
F-74-R-12	831,736	718,054
F-74-R-13	804,420	687,125
F-76-D-3	12,180	8,046
F-84-M-11	1,550,912	1,195,870
F-84-M-12	2,009,087	1,491,710
F-87-D-2	17,920	15,642
F-90-T-9	107,104	83,825
F-90-T-10	104,056	74,073

Grant Number	Budgeted Grant Amount	Incurred Costs
F-95-R-8	20,000	20,000
F-98-B-20	117,220	120,058
F-98-B-21	158,288	140,098
F-98-B-22	43,800	32,824
F-98-B-23	328,800	229,889
F-98-B-24	153,612	143,753
F-98-B-25	40,000	65,312
F-98-B-26	80,028	0
F-98-B-27	92,000	91,982
F-98-B-28	236,420	41,058
F-98-B-29	226,108	226,107
F-98-B-30	351,800	0
F-98-B-31	101,888	76,415
F-98-B-32	60,000	0
F-98-B-33	140,000	0
F-98-B-34	40,000	0
F-98-B-35	218,224	0
F-98-B-36	54,936	0
F-98-B-38	43,800	0
F-98-B-39	29,000	0
F-98-B-40	68,712	35,546
F-100-D-1	291,500	297,230
F-100-D-2	306,460	210,204
F-100-D-3	52,000	67,065
FW-16-C-61	282,598	253,456
FW-16-C-62	272,256	272,220
FW-16-C-63	268,579	161,389
Totals	\$30,486,098	\$25,162,655

**UTAH DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WILDLIFE RESOURCES
SITES VISITED**

Office	Location
Headquarters Office	Salt Lake City, UT
Southern Regional Office, Aquatics and Wildlife Sections	Cedar City, UT
Egan Hatchery	Bicknell, UT
Springville Hatchery	Springville, UT
Central Regional Office, Aquatics Section	Springville, UT
Southeast Regional Office, Aquatics Section	Price, UT
Farmington Waterfowl Management Area	Farmington, UT
Salt Creek Waterfowl Management Area	Tremonton, UT
Ogden Bay Waterfowl Management Area	Hooper, UT
Northern Regional Office, Aquatics Section	Ogden, UT
Lee Kay Center For Hunter Education	Salt Lake City, UT

STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

Recommendation	Status	Action Required
A, B1, B2, B3, C, D, and E	Finding Unresolved and Recommendations Unimplemented	Provide a response to each finding and 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 October 11, 2004) will be referred to the Assistant Secretary of PMB for resolution and/or tracking of implementation.

Report Fraud, Waste, Abuse, and Mismanagement



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